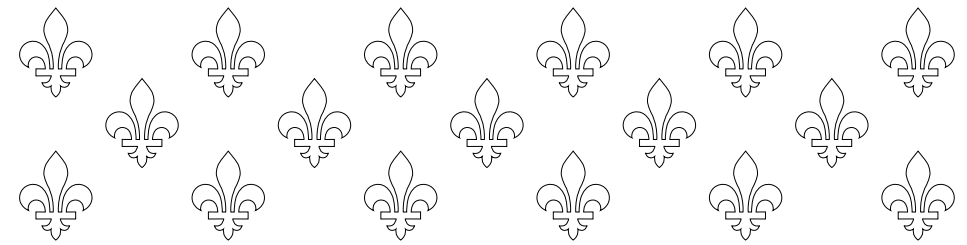

NATIONAL ASSEMBLY

SECOND SESSION THIRTY-SIXTH LEGISLATURE

Bill 34

An Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions

Introduction

Introduced by
Mr Guy Julien
Minister of Revenue

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EXPLANATORY NOTES

The main object of this bill is to harmonize the fiscal legislation in Québec with that of Canada. It consequently gives effect to various harmonization measures contained in the Budget Speeches delivered by the Minister of State for the Economy and Finance on 31 March 1998 and 9 March 1999.

The bill amends the Taxation Act primarily to make amendments similar to those made to the Income Tax Act by federal Bill C-72 (S.C., 1999, chapter 22), assented to on 17 June 1999, and to amendments made to that Act by federal Bills C-25 (S.C., 2000, chapter 19) and C-23 (S.C., 2000, chapter 12), assented to on 29 June 2000. In particular, the amendments concern

(1) the introduction of a non-refundable tax credit for interest paid on student loans;

(2) the eligibility for purposes of the refundable tax credit for child care expenses of expenses incurred by parents enrolled in part-time studies;

(3) the rules that apply to registered retirement savings plans, in particular the rules relating to tax-free withdrawals of funds for continuing education purposes;

(4) the rules that apply to registered education savings plans to take into account the introduction of the Canadian education savings grant;

(5) the moving expense deduction in order to more adequately define the treatment of the tax compensation granted by an employer to an employee to enable the employee to move closer to a new work location in Canada;

(6) the broadening of the rules that apply to stock options to include unit options granted by a mutual fund trust to its employees;

(7) the new special tax on the split income of an individual to further tighten the provisions of the Act aimed at preventing income splitting within the family unit;

(8) the introduction of provisions enabling an amount paid by a taxpayer as a countervailing or anti-dumping duty to be deducted and requiring an amount received by a taxpayer in respect of a refund of such a duty to be included in computing the taxpayer's income;

(9) the recapture of certain scientific research and experimental development tax credits where the property that generated the tax credit is sold or converted to commercial use;

(10) the adjustment of the computation of taxable income earned in Canada in respect of amounts that are tax-exempt under a tax agreement;

(11) the possibility for a mutual fund trust to elect to have taxation years that end on 15 December, rather than on 31 December;

(12) the rules that apply to the demutualization of insurance corporations.

The bill amends the Act respecting the Ministère du Revenu to clarify the manner of determining the fair market value of a share in undivided property upon a transfer of the property and to prevent the simultaneous application of certain fines and penalties.

The bill amends the Act respecting the Québec sales tax to make amendments aimed at harmonizing the changes made by the federal government to the tax regime for goods and services by federal Bill C-24 (S.C., 2000, chapter 30), assented to on 20 October 2000. In particular, the amendments concern

(1) the determination of various rules that apply to financial services;

(2) the introduction and maintenance of the exemption for certain health and education services;

(3) the introduction of various measures for charities;

(4) the determination of various rules that apply to supplies made to non-residents;

(5) the clarification of certain rules relating to the supply of immovable property; and

(6) the introduction of a tax rebate in respect of the cost of a specially equipped motor vehicle for a handicapped person.

Lastly, the bill introduces various technical, consequential and terminology-related amendments.

LEGISLATION AMENDED BY THIS BILL:

– Taxation Act (R.S.Q., chapter I-3);

– Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);

– Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);

– Act respecting property tax refund (R.S.Q., chapter R-20.1);

– Act respecting income security (R.S.Q., chapter S-3.1.1);

– Act respecting income support, employment assistance and social solidarity (R.S.Q., chapter S-32.001);

– Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);

– Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85);

– Act to amend the Taxation Act and other legislative provisions (2000, chapter 5).

Bill 34

AN ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

TAXATION ACT

1. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 4 of chapter 5 of the statutes of 2000, by section 152 of chapter 8 of the statutes of 2000, by section 218 of chapter 56 of the statutes of 2000, by section 1 of chapter 7 of the statutes of 2001 and by section (*insert the number of the section in Bill 175 that amends section 1 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by inserting the following definition in alphabetical order:

""tax agreement" with a country other than Canada at any time means an agreement for the elimination of double taxation on income, between the Government of Québec and the government of the country, which has the force of law in Québec at that time or, in the absence of such an agreement, a comprehensive agreement or convention for the elimination of double taxation on income, between the Government of Canada and the government of the country, which has the force of law in Canada at that time;";

(2) by replacing, in the definition of "depreciable property", "paragraph *c*" by "subparagraph *c* of the first paragraph";

(3) by replacing, in the definition of "timber resource property", "paragraph *d*" by "subparagraph *d* of the first paragraph";

(4) by inserting the following definition in alphabetical order:

""tax-agreement-protected property" of a taxpayer at any time means property any income or gain from the disposition of which by the taxpayer at that time would, because of a tax agreement with a country other than Canada, be exempt from tax under this Part;";

(5) by adding, after paragraph *b* of the definition of "specified tax consequence", the following paragraph:

"(*c*) the consequence of an adjustment or a reduction described in section 1042.1;";

(6) by inserting the following definition in alphabetical order:

""tax-agreement-protected business" of a taxpayer at any time means a business in respect of which any income of the taxpayer for a period that includes that time would, because of a tax agreement with a country other than Canada, be exempt from tax under this Part;";

(7) by replacing the portion of the definition of "specified financial institution" before paragraph *a* by the following:

""specified financial institution", at a particular time, means";

(8) by replacing, in paragraph *b* of the definition of "specified financial institution", the words "to carry on therein" by the words "to carry on in Canada";

(9) by replacing, in the French text of paragraph *e* of the definition of "institution financière désignée", the words "dettes obligataires émises" by the words "titres de créance émis";

(10) by inserting, after paragraph *e* of the definition of "specified financial institution", the following paragraph:

"(*e*.1) a corporation referred to in paragraph *g* of the definition of "financial institution" in subsection 1 of section 181 of the Income Tax Act;";

(11) by replacing paragraphs *f* and *g* of the definition of "specified financial institution" by the following:

"(*f*) a corporation that is controlled by one or more corporations referred to in any of paragraphs *a* to *e*.1 and, for the purposes of this paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length;

"(*g*) a corporation that is related to a particular corporation referred to in any of paragraphs *a* to *f*, other than a particular corporation referred to in paragraph *e* or *e*.1 the principal business of which is the factoring of trade accounts receivable that the particular corporation acquired from a related person, that arose in the course of an eligible business carried on by a person, in this paragraph referred to as the "business entity", related at that time to the particular corporation, and that at no particular time before that time were held by a person other than a person who was related to the business entity and, for the purposes of this paragraph, where in the case of two or more corporations it may reasonably be considered, having regard to all the circumstances, that

one of the main reasons for the separate existence of those corporations in a taxation year is to limit or avoid the application of any of sections 740.1, 740.2 to 740.3.1 and 845, those corporations are deemed to be related to each other and to each other corporation to which any such corporation is related;";

(12) by replacing, in paragraph *b* of the definition of "restricted financial institution", the words "to carry on therein" by the words "to carry on in Canada";

(13) by replacing, in the French text of paragraph *e* of the definition of "institution financière véritable", the words "dettes obligataires émises" by the words "titres de créance émis";

(14) by inserting, after paragraph *e* of the definition of "restricted financial institution", the following paragraph:

"(*e*.1) a corporation referred to in paragraph *g* of the definition of "financial institution" in subsection 1 of section 181 of the Income Tax Act;";

(15) by replacing, in paragraph *f* of the definition of "restricted financial institution", "paragraphs *a* to *e*" by "paragraphs *a* to *e*.1";

(16) by inserting the following definition in alphabetical order:

""specified individual" has the meaning assigned by section 766.5;";

(17) by striking out, in the definition of "undepreciated capital cost", "paragraph *e* of";

(18) by inserting the following definition in alphabetical order:

""insurance policy" includes a life insurance policy;";

(19) by replacing paragraph *c* of the definition of "home relocation loan" by the following:

"(*c*) the loan is received in the circumstances described in section 487.1, or would have been so received if the second paragraph of section 487.1 had applied to the loan at the time it was received; and";

(20) by inserting the following definition in alphabetical order:

""eligible relocation" has the meaning assigned by the first paragraph of section 349.1;";

(21) by replacing the definition of "private health services plan" by the following:

““private health services plan” means a contract of insurance in respect of medical expenses, hospital expenses or any combination of such expenses, or a medical care insurance plan or hospital care insurance plan or both a medical care and hospital care insurance plan, to the extent that the contract or plan applies to expenses described in section 752.0.11.1, except any such contract or plan established by or pursuant to a law of a province that establishes a health care insurance plan that is a health care insurance plan within the meaning of section 2 of the Canada Health Act (Revised Statutes of Canada, 1985, chapter C-6);”;

(22) by inserting the following definition in alphabetical order:

““split income” has the meaning assigned by section 766.5;”.

(2) Paragraphs 1 and 4 to 6 of subsection 1 apply from the taxation year 1998.

(3) Paragraphs 2, 3, 17 and 19 of subsection 1 have effect from 24 February 1998.

(4) Paragraphs 7, 10 and 11 of subsection 1 apply, for the purpose of determining the status of a corporation as a specified financial institution, to taxation years of the corporation that begin after 31 December 1998.

(5) Paragraphs 14 and 15 of subsection 1 apply to taxation years that begin after 31 December 1998.

(6) Paragraphs 16 and 22 of subsection 1 apply from the taxation year 2000.

(7) Paragraph 18 of subsection 1 has effect from 16 December 1998.

(8) Paragraph 20 of subsection 1 has effect from 1 January 1998.

(9) Paragraph 21 of subsection 1 has effect from 1 April 1996. However, where the definition of “private health services plan” in section 1 of the said Act applies before 1 March 2000, it shall be read with the words “assurance maladie” replaced by the words “assurance-maladie”, wherever they appear in the French text.

2. (1) Section 7 of the said Act is amended, in the second paragraph,

(1) by replacing subparagraph *a* by the following:

“(*a*) in the case of a business or a property of a corporation, more than 53 weeks after the period began;”;

(2) by replacing the portion of subparagraph *b* before subparagraph ii by the following:

"(*b*) in any of the following cases, after the end of the calendar year in which the period began unless, in the case of a business, the business is not carried on in Canada or is a prescribed business:

i. a business or property of an individual, other than an individual in respect of whom any of sections 980 to 999.1 applies or other than a testamentary trust,";

(3) by inserting, after subparagraph i of subparagraph *b*, the following subparagraph:

"i.1 a business or property of an *inter vivos* trust, other than a fiscal period in respect of which paragraph *c* of section 1121.7 applies,";

(4) by replacing subparagraphs ii and iii of subparagraph *b* by the following:

"ii. a business or property of a particular partnership of which an individual, other than an individual in respect of whom any of sections 980 to 999.1 applies or other than a testamentary trust, a professional corporation, or a partnership in respect of which this subparagraph applies, would, if the fiscal period of the particular partnership ended at the end of the calendar year in which the period began, be a member in the fiscal period, or

"iii. a business or property of a professional corporation that would, if the fiscal period ended at the end of the calendar year in which the period began, be in the fiscal period a member of a partnership in respect of which subparagraph ii applies;".

(2) Subsection 1 applies to fiscal periods that begin after 15 December 1997.

3. (1) Section 8 of the said Act is amended

(1) by replacing, in the French text of the portion before paragraph *a*, the words "si pendant cette année" by "si, pendant cette année, l'une des conditions suivantes est remplie";

(2) by striking out paragraph *e*;

(3) by adding, after paragraph *f*, the following paragraph:

"(*g*) was at any time in the year, under a tax agreement with one or more other countries, entitled to an exemption from an income tax otherwise payable in any of those countries in respect of income from any source, unless all or substantially all of the individual's income from all sources was not so exempt, because at that time the individual was related to or a member of the family of a particular individual, other than a trust, who was resident in Québec."

(2) Subject to subsection 3, subsection 1 has effect from 24 February 1998.

(3) Paragraph 2 of subsection 1 does not apply in respect of an individual before the first time after 23 February 1998 that the individual would, but for paragraph *e* of section 8 of the said Act, cease to be resident in Québec, where

(1) but for paragraph *e* of section 8 of the said Act, the individual would have been an individual not resident in Québec at any time before 24 February 1998 and would not have become an individual resident in Québec after that time and before 24 February 1998; and

(2) the individual does not file a written election with the Minister of Revenue with the fiscal return the individual is required to file under Part I of the said Act for the taxation year 1998 to have that paragraph 2 apply after 23 February 1998.

4. (1) Section 16.1.2 of the said Act is replaced by the following:

"**16.1.2.** For the purposes of subparagraph *a* of the first paragraph of section 21.32 and sections 125.1 and 740, where a person is not resident in Canada but is resident in a country with which a tax agreement was entered into and in which the expression "permanent establishment" is defined, the establishment of the person means, notwithstanding sections 12 to 16.1, the permanent establishment of the person, within the meaning assigned by the tax agreement."

(2) Subsection 1 applies from the taxation year 1998.

5. (1) Section 21.5.1 of the said Act is amended

(1) by replacing, in the French text of the portion before paragraph *a*, the words "Aux fins" by the words "Pour l'application";

(2) by replacing paragraph *a* by the following:

"(*a*) a corporation referred to in any of paragraphs *a* to *e*.1 of the definition of "specified financial institution" in section 1;";

(3) by replacing, in paragraph *b*, the word "described" by the words "referred to";

(4) by replacing, in the French text of paragraph *c* and of paragraph *d*, "mentionnée aux paragraphes *a* ou *b*" by "visée à l'un des paragraphes *a* et *b*".

(2) Paragraph 2 of subsection 1 applies to taxation years that begin after 31 December 1998.

6. (1) Section 21.9.2 of the said Act is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following:

"(*a*) the share described in subparagraph i of that paragraph *c* is

i. a share issued to a corporation that was, at the time of issue,

(1) a corporation referred to in any of paragraphs *a* to *e* of the definition of "specified financial institution" in section 1, or

(2) a corporation controlled by one or more corporations referred to in subparagraph 1,

ii. a share acquired from a person that was, at the time of acquisition, a corporation referred to in subparagraph 1 or 2 of subparagraph i, or

iii. a share acquired under an agreement in writing made before 24 October 1979 ; and

"(*b*) the share described in subparagraph ii of that paragraph *c* is

i. a share described in section 21.6.1,

ii. a share acquired from a person that was, at the time of acquisition, a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1,

iii. a share acquired in an acquisition that was not subject to an undertaking, referred to in section 740.2, given after 12 November 1981, or

iv. a share acquired under an agreement in writing made before 24 October 1979 or an agreement referred to in section 21.5.3.

For the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the second paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length."

(2) Subsection 1 applies to taxation years that begin after 31 December 1998. However, where subparagraph ii of subparagraph *b* of the second paragraph of section 21.9.2 of the said Act applies in respect of shares acquired from a corporation that last acquired the shares in a taxation year that began before 1 January 1999, it shall be read with the words "referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1" replaced by "referred to in subparagraph 1 or 2 of subparagraph i of subparagraph *a*".

7. Section 21.11.20 of the said Act, amended by section 169 of chapter 7 of the statutes of 2001, is again amended by replacing the words "d'un organisme public" by the words "d'une administration", in the French text of the following provisions :

— paragraph *b*;

— subparagraph ii of paragraph *c*;

— paragraph *d*.

8. (1) Section 21.15 of the said Act is replaced by the following:

"**21.15.** The rule provided in section 21.14 applies also where

(*a*) the terms or conditions of a bond or debenture issued pursuant to an agreement in writing referred to in paragraph *b* of section 21.12 or those of any agreement relating to such a bond or debenture have been changed at a particular time;

(*b*) under the terms or conditions of a bond or debenture acquired in the ordinary course of the business carried on by a specified financial institution or a partnership or trust, other than a testamentary trust, or under the terms or conditions of any agreement relating to any such bond or debenture, other than an agreement made before 24 October 1979 to which the issuer or any person related thereto was not a party, the owner thereof could at a particular time after 16 November 1978 require, either alone or together with one or more taxpayers, the repayment, acquisition, cancellation or conversion of the bond or debenture otherwise than by reason of a failure or default under the terms or conditions of the bond or debenture or of any agreement that related to, and was entered into at the time of, the issuance of the bond or debenture;

(*c*) at a particular time a specified financial institution, or a partnership or trust of which a specified financial institution or a person related to such an institution is a member or beneficiary, acquires a bond or debenture that

i. was issued before 17 November 1978 or under an agreement in writing referred to in paragraph *b* of section 21.12,

ii. was issued to a person other than a corporation that was, at the time of issue,

(1) a corporation referred to in any of paragraphs *a* to *e* of the definition of "specified financial institution" in section 1, or

(2) a corporation controlled by one or more corporations referred to in subparagraph 1,

iii. was acquired from a person that was, at the particular time and at the time the person last acquired the bond or debenture, a person other than a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1, and

iv. was acquired otherwise than under an agreement in writing made before 24 October 1979 ; or

(*d*) at a particular time after 12 November 1981, a specified financial institution, or a partnership or trust of which a specified financial institution or a person related to such an institution is a member or beneficiary, acquires a bond or debenture that

i. was not a bond or debenture referred to in subparagraph *c*,

ii. was acquired from a person that was, at the particular time, a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1, and

iii. was acquired subject to an undertaking given after 12 November 1981 that would be an undertaking referred to in section 740.2 if that section applied to an income bond or income debenture.

For the purposes of subparagraph 2 of subparagraph ii of subparagraph *c* of the first paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length."

(2) Subsection 1 applies to taxation years that begin after 31 December 1998. However, where subparagraph iii of subparagraph *c* of the first paragraph of section 21.15 of the said Act and subparagraph ii of subparagraph *d* of that paragraph apply in respect of bonds or debentures acquired from a corporation that last acquired the bonds or debentures in a taxation year that began before 1 January 1999,

(1) subparagraph iii of that subparagraph *c* shall be read with "at the particular time and at the time the person last acquired the bond or debenture, a person other than a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1" replaced by "at the particular time, a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1 and, at the time the person last acquired the bond or debenture, a corporation referred to in subparagraph 1 or 2 of subparagraph ii" ; and

(2) subparagraph ii of that subparagraph *d* shall be read with "a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1" replaced by "a corporation referred to in subparagraph 1 or 2 of subparagraph ii of subparagraph *c*".

9. Section 22 of the said Act is amended by replacing, in the second paragraph, "sections 750 and 758 to 766.1" and "those sections" by "section 750" and "this section", respectively.

10. (1) Section 26 of the said Act is amended by replacing, in the second paragraph, "752.1 to 766.1" by "752.12 to 752.16".

(2) Subsection 1 applies from the taxation year 1998. However, where it applies before (*insert the year of assent to this Act*), the second paragraph of section 26 of the said Act shall be read with "752.12 to 752.16" replaced by "752.12 to 766.1".

11. (1) The said Act is amended by inserting, after section 37.1, the following sections:

"**37.1.1.** An amount paid or the value of assistance provided by any person because of, or in the course of, an individual's office or employment in respect of the cost of, the financing of, the use of or the right to use, a residence is, for the purposes of this division, a benefit received by the individual because of the office or employment.

"**37.1.2.** In this division,

"eligible housing loss" in respect of a residence designated by an individual means a housing loss in respect of an eligible relocation of the individual or a person who does not deal at arm's length with the individual and, for the purposes of this definition, no more than one residence may be so designated in respect of an eligible relocation;

"housing loss" at any time in respect of a residence of an individual means the amount by which the greater of the adjusted cost base of the residence at that time to the individual or to another person who does not deal at arm's length with the individual and the highest fair market value of the residence within the six-month period that ends at that time exceeds

(*a*) if the residence is disposed of by the individual or the other person before the end of the first taxation year that begins after that time, the lesser of the proceeds of disposition of the residence and the fair market value of the residence at that time; and

(*b*) in any other case, the fair market value of the residence at that time.

Where sections 37.1.1 to 37.1.4 apply in respect of a relocation of an individual who is absent from Canada but resident in Québec, the definition of "eligible relocation" in section 349.1 shall be read, for the purposes of those sections 37.1.1 to 37.1.4, without reference to the words "in Canada" in subparagraph *a* of the first paragraph of that section 349.1 and without reference to subparagraph *b* of that paragraph.

"**37.1.3.** For the purposes of section 37, an amount paid at any time in respect of a housing loss other than an eligible housing loss to or on behalf of an individual or a person who does not deal at arm's length with the individual

because of, or in the course of, an office or employment is deemed to be a benefit received by the individual at that time because of the office or employment.

"**37.1.4.** For the purposes of section 37, an amount paid at any time in a taxation year in respect of an eligible housing loss to or on behalf of an individual or a person who does not deal at arm's length with the individual because of, or in the course of, an office or employment is deemed to be a benefit received by the individual at that time because of the office or employment to the extent of the amount by which one half of the amount by which the aggregate of all amounts each of which is so paid in the year or in a preceding taxation year exceeds $15,000 exceeds the aggregate of all amounts each of which is an amount included in computing the individual's income because of this section for a preceding taxation year in respect of the loss."

(2) Subsection 1 has effect from 24 February 1998, except in respect of an eligible relocation of an individual in connection with which the individual begins employment at a new work location before 1 October 1998, in which case it applies from the taxation year 2001.

12. (1) The heading of Division VI of Chapter II of Title II of Book III of Part I of the said Act is replaced by the following:

"AGREEMENT TO ISSUE SECURITIES TO EMPLOYEES".

(2) Subsection 1 applies from the taxation year 1998.

13. (1) The said Act is amended by inserting, after the heading of Division VI of Chapter II of Title II of Book III of Part I, the following section:

"**47.18.** In this division and in section 725.2,

"qualifying person" means a corporation or a mutual fund trust;

"security" of a qualifying person means

(*a*) if the qualifying person is a corporation, a share of the capital stock of the corporation; and

(*b*) if the qualifying person is a mutual fund trust, a unit of the trust."

(2) Subsection 1 has effect from 1 January 1995. However, except for the purposes of section 55 of the said Act, enacted by subsection 1 of section (*insert the number of the section in this Bill that replaces section 55 of the Taxation Act*), section 47.18 of the said Act does not apply to a right under an agreement made before 1 March 1998 to sell or issue trust units to an individual unless

(1) the right existed on 28 February 1998 and was not disposed of before 1 March 1998 in circumstances to which section 50 of the said Act, enacted by subsection 1 of section (*insert the number of the section in this Bill that replaces sections 50 and 51 of the Taxation Act*), applies; and

(2) the individual so elects in writing filed with the Minister of Revenue on or before the later of

(*a*) the filing-due date for the individual's taxation year that includes the earlier of

i. the time of the individual's death, and

ii. the time that the right was first disposed of after 28 February 1998, and

(*b*) the end of the sixth month following the month that includes (*insert the date of assent to this Act*).

14. (1) Sections 48 and 49 of the said Act are replaced by the following:

"**48.** This division applies where a particular qualifying person agrees to sell or issue one of its securities or a security of a qualifying person with which it does not deal at arm's length to one of its employees or to an employee of a qualifying person with which it does not deal at arm's length.

"**49.** Subject to section 49.2, an employee who acquires a security under the agreement referred to in section 48 is deemed to receive because of the employee's office or employment, in the taxation year in which the employee acquires the security, a benefit equal to the amount by which the value of the security at the time the employee acquires it exceeds the aggregate of the amount paid or to be paid to the qualifying person by the employee for the security and the amount paid by the employee to acquire the right to acquire the security."

(2) Subsection 1 applies from the taxation year 1998.

15. (1) Section 49.2 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**49.2.** Where section 49 applies in respect of a security that is a share of the capital stock of a corporation, it shall be read with the words "in which the employee acquires the security" replaced by the words "in which the employee disposes of or exchanges the security" where".

(2) Subsection 1 applies from the taxation year 1998.

16. (1) The said Act is amended by inserting, after section 49.2, the following section:

"**49.2.1.** For the purposes of this division, a mutual fund trust is deemed not to deal at arm's length with a corporation only if the trust controls the corporation."

(2) Subsection 1 applies from the taxation year 1998.

17. (1) Section 49.4 of the said Act is amended

(1) by replacing the portion before subparagraph *a* of the first paragraph by the following:

"**49.4.** For the purposes of this division, where a taxpayer disposes of rights under an agreement referred to in section 48 to acquire securities of the particular qualifying person that made the agreement or of a qualifying person with which the particular qualifying person does not deal at arm's length, which rights and securities are referred to in this section and section 725.2 as the "exchanged option" and the "old securities", respectively, the taxpayer receives no consideration for the disposition of the exchanged option other than rights under an agreement with any of the persons described in the second paragraph to acquire securities of any such person or of a qualifying person with which any such person does not deal at arm's length, which rights and securities are referred to in this section as the "new option" and the "new securities", respectively, and the amount by which the total value of the new securities immediately after the disposition exceeds the total amount payable by the taxpayer to acquire the new securities under the new option does not exceed the amount by which the total value of the old securities immediately before the disposition exceeds the amount payable by the taxpayer to acquire the old securities under the exchanged option, the following rules apply:";

(2) by replacing subparagraph *c* of the first paragraph by the following:

"(*c*) the person described in any of subparagraphs *b* to *e* of the second paragraph is deemed to be the same person as, and a continuation of, the qualifying person.";

(3) by replacing the second paragraph by the following:

"The persons to which the first paragraph refers are the following:

(*a*) the particular qualifying person referred to therein;

(*b*) a qualifying person with which the particular qualifying person does not deal at arm's length immediately after the disposition of the exchanged option;

(*c*) a corporation formed on the amalgamation or merger of the particular qualifying person and one or more other corporations;

(*d*) a mutual fund trust to which the particular qualifying person has transferred property in circumstances to which Title I.2 of Book VI applied; and

(*e*) a qualifying person with which the corporation referred to in subparagraph *c* does not deal at arm's length immediately after the disposition of the exchanged option."

(2) Subsection 1 applies from the taxation year 1998.

18. (1) Sections 50 and 51 of the said Act are replaced by the following:

"**50.** An employee who transfers or disposes of rights under the agreement referred to in section 48 in respect of securities to a person with whom the employee is dealing at arm's length, is deemed to receive because of the employee's office or employment, in the taxation year in which the employee makes the transfer or disposition, a benefit equal to the amount by which the value of the consideration for the transfer or disposition exceeds the amount paid by the employee to acquire those rights.

"**51.** If rights of the employee under the agreement referred to in section 48 have, by one or more transactions between persons not dealing at arm's length, become vested in a person who exercises the employee's right to acquire a security under the agreement, the employee is deemed, subject to the second paragraph, to receive because of the employee's office or employment, in the taxation year in which the person acquired the security, a benefit equal to the amount by which the value of the security at the time that person acquired it exceeds the aggregate of the amount paid or to be paid to the qualifying person by the person for the security and the amount paid by the employee to acquire the right to acquire the security.

Where the employee was deceased at the time the person acquired the security, the benefit is deemed to have been received by the person, in the taxation year in which the person acquired the security, as income from the duties of an office or employment performed by the person in that year in the country in which the employee primarily performed the duties of the employee's office or employment."

(2) Subsection 1 applies from the taxation year 1998.

19. (1) Section 52.1 of the said Act is amended by replacing the word "shares" by the words "a security".

(2) Subsection 1 applies from the taxation year 1998.

20. (1) Sections 53 to 56 of the said Act are replaced by the following:

"**53.** If a security is held by a trustee, in any manner whatever, for an employee, the employee is deemed, for the purposes of this division and

sections 725.2 and 725.3, to acquire the security at the time the trustee begins so to hold it and to exchange or dispose of the security at the time the trustee exchanges it or disposes of it to any person other than the employee.

"**54.** If a particular qualifying person has agreed to sell or issue one of its securities, or a security of a qualifying person with which it does not deal at arm's length, to one of its employees or to an employee of the qualifying person with which it does not deal at arm's length, the employee is deemed to receive no benefit under or because of the agreement other than as provided in this division.

"**55.** If a particular qualifying person has agreed to sell or issue one of its securities, or a security of a qualifying person with which it does not deal at arm's length, to one of its employees or to an employee of the qualifying person with which it does not deal at arm's length, the income for a taxation year of any person is deemed to be not less than it would have been for the year if no benefit had been conferred on the employee by the sale or issue of the security.

"**56.** Where a person to whom sections 48 to 52.1 would otherwise apply ceases to be an employee before all conditions have been fulfilled that would make such sections applicable, those sections apply as though the person were still an employee and as though the office or employment were still in existence."

(2) Subsection 1, where it replaces section 53 of the said Act, applies from the taxation year 1998.

(3) Subsection 1, where it replaces sections 54 and 55 of the said Act, applies from the taxation year 1995. However, section 55 of the said Act, enacted by subsection 1, shall be read as follows in respect of benefits conferred before 1 March 1998 :

"**55.** If a particular qualifying person has agreed to sell or issue one of its securities, or a security of a qualifying person with which it does not deal at arm's length, to one of its employees or to an employee of the qualifying person with which it does not deal at arm's length, the income for a taxation year of any corporation is deemed to be not less than it would have been for the year if no benefit had been conferred on the employee by the sale or issue of the security."

21. (1) Section 58 of the said Act is amended by replacing the first paragraph by the following :

"**58.** For the purposes of this division, except section 53, and of sections 725.2 and 725.3, if a particular qualifying person has entered into an arrangement under which one of its securities, or a security of a qualifying person with which it does not deal at arm's length, is sold or issued by either person to a trustee to be held by the trustee in trust for sale to an employee of

the particular qualifying person or of a qualifying person with which it does not deal at arm's length, the following rules apply :

(*a*) any particular right of the employee under the arrangement in respect of the security is deemed to be a right under a particular agreement referred to in section 48 ;

(*b*) any security acquired under the arrangement by the employee or by a person in whom the particular right has become vested is deemed to be a security acquired under the particular agreement referred to in section 48 ; and

(*c*) any amount paid or agreed to be paid to the trustee for any security acquired under the arrangement by the employee or by a person in whom the particular right has become vested is deemed to be an amount paid or agreed to be paid to the particular qualifying person for a security acquired under the particular agreement referred to in section 48."

(2) Subsection 1 applies from the taxation year 1998.

22. (1) Section 77.1 of the said Act is replaced by the following :

"**77.1.** If, in a taxation year, an employee is deemed by reason of section 53 to have disposed of a security, as defined in section 47.18, held by a trust, the trust disposed of the security to the person that issued the security, the disposition occurred as a result of the employee not meeting the conditions necessary for title to the security to vest in the employee, and the amount paid by the person to acquire the security from the trust or to redeem or cancel the security did not exceed the amount paid to the person for the security, the following rules apply :

(*a*) there may be deducted in computing the employee's income for the year from an office or employment the amount by which the amount of the benefit deemed by section 49 to have been received by the employee in the year or a preceding taxation year in respect of the security exceeds any amount deducted under section 725.2 or 725.3 in computing the employee's taxable income for the year or a preceding taxation year in respect of that benefit ; and

(*b*) notwithstanding any other provision of this Part, any gain or loss of the employee otherwise determined from the disposition of the security is deemed to be nil, and Division I of Chapter III of Title IX of Book III does not apply to deem a dividend to have been received in respect of the disposition."

(2) Subsection 1 applies from the taxation year 1998.

23. (1) Section 87 of the said Act, amended by section 30 of chapter 5 of the statutes of 2000, by section 9 of chapter 7 of the statutes of 2001 and by section (*insert the number of the section in Bill 175 that amends section 87 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing, in paragraph *u*, "subparagraph vi.1 of paragraph *e*" by "subparagraph *f* of the second paragraph";

(2) by replacing the portion of paragraph *w* before subparagraph i by the following:

"(*w*) any particular amount, other than a prescribed amount, received by the taxpayer in the year, in the course of earning income from a business or property, from a government, municipality or other public authority, a person or partnership in this paragraph referred to as the "particular person", who pays the particular amount in the course of earning income from a business or property, or in order to achieve a benefit for the particular person or for persons with whom the particular person does not deal at arm's length, or in circumstances where it is reasonable to conclude that the particular person would not have paid the particular amount but for the receipt by the particular person of amounts from another particular person referred to in this paragraph or a government, municipality or public authority, where the particular amount can reasonably be considered to have been received as a refund, reimbursement, contribution or allowance or as assistance, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of assistance, in respect of an amount included in, or deducted as, the cost of property or in respect of an outlay or expense, or as an inducement, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of inducement, to the extent that the particular amount";

(3) by replacing, in the French text of subparagraph i of paragraph *w*, the words "aux fins" by the words "pour l'application";

(4) by replacing subparagraph iv of paragraph *w* by the following:

"iv. may not reasonably be considered to be a payment made in respect of the acquisition by the particular person or the public authority of an interest in the taxpayer or the taxpayer's business or property;";

(5) by adding, after paragraph *z*.4, the following paragraph:

"(*z*.5) any amount received by the taxpayer in the year in respect of a refund of an amount that was deducted under paragraph *u* of section 157 in computing the taxpayer's income for any taxation year."

(2) Paragraph 1 of subsection 1 has effect from 24 February 1998.

(3) Paragraphs 2 and 4 of subsection 1 apply in respect of amounts received after 23 February 1998, other than amounts received before 1 January 1999 pursuant to an agreement in writing made before 24 February 1998. However,

(1) where the French text of the portion of paragraph *w* of section 87 of the said Act before subparagraph i applies before (*insert the date of assent to this Act*), it shall be read with the words "d'une autre administration" replaced by the words "d'un autre organisme public", wherever they appear; and

(2) where the French text of subparagraph iv of paragraph *w* of section 87 of the said Act applies before (*insert the date of assent to this Act*), it shall be read with the words "l'administration" replaced by the words "l'organisme public".

(4) Paragraph 5 of subsection 1 applies in respect of amounts received after 23 February 1998.

24. (1) Section 93 of the said Act is amended

(1) by replacing the portion of paragraph *e* before subparagraph iii by the following:

"(*e*) "undepreciated capital cost" of depreciable property of a prescribed class of a taxpayer as of any time means the amount that is equal to the amount by which the aggregate of the following amounts exceeds the amount determined under the second paragraph:

i. the aggregate of all amounts each of which is the capital cost to the taxpayer of a depreciable property of that class acquired before that time,

ii. the aggregate of all amounts included in computing the taxpayer's income under sections 93 to 104 for a taxation year ending before that time, to the extent that those amounts relate to depreciable property of that class,

ii.1. the aggregate of all amounts each of which is an amount of assistance that has been repaid by the taxpayer, pursuant to an obligation to repay, in respect of a depreciable property of that class subsequent to the disposition thereof by the taxpayer that would have been included in computing the capital cost of the property under section 101 had the repayment been made before the disposition,

ii.2. the aggregate of all amounts each of which is an amount repaid in respect of a property of that class subsequent to the disposition thereof by the taxpayer that would have been an amount described in paragraph *b* of section 101.6 had the repayment been made before the disposition, and";

(2) by inserting, after subparagraph ii.2 of paragraph *e*, the following subparagraph:

"ii.3. the aggregate of all amounts each of which is an amount paid by the taxpayer before that time as or on account of an existing or proposed countervailing or anti-dumping duty in respect of depreciable property of that class;";

(3) by striking out subparagraphs iii to vii of paragraph *e*;

(4) by adding the following paragraph:

"For the purpose of determining the undepreciated capital cost of depreciable property of a prescribed class of a taxpayer as of any time, the amount to which subparagraph *e* of the first paragraph refers is equal to the aggregate of

(*a*) the amount of the total depreciation allowed to the taxpayer for property of that class before that time;

(*b*) the aggregate of all amounts each of which is an amount by which the undepreciated capital cost to the taxpayer of depreciable property of that class is required, otherwise than because of a reduction in the capital cost to the taxpayer of depreciable property, to be reduced at or before that time because of section 485.6;

(*c*) for each disposition by the taxpayer before that time of property of that class, other than a timber resource property, the lesser of the proceeds of disposition of the property minus any expenses made or incurred by the taxpayer for the purpose of making the disposition, and the capital cost to the taxpayer of the property;

(*d*) for each disposition by the taxpayer before that time of a timber resource property of that class, the proceeds of disposition of the property minus any expenses made or incurred by the taxpayer for the purpose of making the disposition;

(*e*) where property of that class was acquired by the taxpayer for the purpose of gaining or producing income from a mine and the taxpayer so elects in the prescribed manner and within the prescribed time in respect of that property, the amount equal to that portion of the income derived from the operation of the mine that is, by virtue of the provisions of the Act respecting the application of the Taxation Act (chapter I-4) relating to income from the operation of new mines, not included in computing income of the taxpayer or any other person;

(*f*) the aggregate of all amounts each of which is an amount, other than a prescribed amount, deducted under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in respect of a depreciable property of that class, in computing the tax payable under that Act by the taxpayer for a taxation year ending before that time and subsequent to the disposition of that property by the taxpayer;

(*g*) the aggregate of all amounts each of which is an amount of assistance that the taxpayer received or was entitled to receive before that time, in respect of or for the acquisition of a depreciable property of that class subsequent to the disposition of that property by the taxpayer, that would have been included, under section 101, in the amount of assistance that the taxpayer received or was entitled to receive in respect of that property had the amount been received before the disposition; and

(*h*) the aggregate of all amounts each of which is an amount received by the taxpayer before that time in respect of a refund of an amount added to the undepreciated capital cost of depreciable property of that class because of the application of subparagraph ii.3 of subparagraph *e* of the first paragraph."

(2) Paragraphs 1, 3 and 4 of subsection 1 have effect from 24 February 1998, except where paragraph 4 of that subsection enacts subparagraph *h* of the second paragraph of section 93 of the said Act, in which case that paragraph applies in respect of amounts received after 23 February 1998.

(3) Paragraph 2 of subsection 1 applies in respect of amounts that become payable after 23 February 1998.

25. (1) Section 93.1 of the said Act, replaced by section 31 of chapter 5 of the statutes of 2000, is amended by replacing "subparagraph iv of paragraph *e*" by "subparagraph *c* of the second paragraph".

(2) Subsection 1 has effect from 24 February 1998.

26. (1) Section 94 of the said Act is replaced by the following:

"**94.** Where, at the end of a taxation year, the amount determined under the second paragraph of section 93 in respect of a taxpayer's depreciable property of a prescribed class exceeds the aggregate of the amounts determined under subparagraphs i to ii.3 of subparagraph *e* of the first paragraph of that section in respect thereof, the excess shall be included in computing the taxpayer's income for the year."

(2) Subsection 1 has effect from 24 February 1998.

27. (1) Section 96 of the said Act, amended by section 16 of chapter 7 of the statutes of 2001, is again amended

(1) by replacing the portion before paragraph *b* of subsection 1 by the following:

"**96.** (1) Subsection 2 applies where an amount in respect of the disposition in a taxation year of depreciable property of a prescribed class of a taxpayer, in this section referred to as the "former property", would, but for this section, be the amount determined under subparagraph *c* or *d* of the second paragraph of section 93 in respect of the disposition of the former property that is either

(*a*) property the proceeds of disposition of which were compensation or an amount described in subparagraph ii, iii or iv of subparagraph *f* of the first paragraph of section 93; or";

(2) by replacing paragraph *a* of subsection 2 by the following:

"(*a*) the amount determined under subparagraph *c* or *d* of the second paragraph of section 93 in respect of the disposition of the former property shall be reduced by the lesser of the amount by which the amount otherwise determined under that subparagraph *c* or *d*, in respect of such disposition, exceeds the undepreciated capital cost to the taxpayer of property of the prescribed class to which the former property belonged at the time immediately before the time that the former property was disposed of, and the amount that has been used by the taxpayer, in the case of a former property referred to in paragraph *a* of subsection 1, before the end of the second taxation year following the year referred to in subsection 1, or, in any other case, before the end of the first taxation year following the end of the year referred to in subsection 1, to acquire a replacement property that has not been disposed of by the taxpayer before the time at which the taxpayer disposed of the former property; and";

(3) by replacing paragraph *c* of subsection 3 by the following:

"(*c*) where the former property was a taxable Canadian property of the taxpayer, the property is a taxable Canadian property of the taxpayer; and";

(4) by adding, after paragraph *c* of subsection 3, the following paragraph:

"(*d*) where the former property was a taxable Canadian property, other than tax-agreement-protected property, of the taxpayer, the property is a taxable Canadian property, other than tax-agreement-protected property, of the taxpayer."

(2) Paragraphs 1 and 2 of subsection 1 have effect from 24 February 1998.

(3) Paragraphs 3 and 4 of subsection 1 apply in respect of dispositions that occur in a taxation year that ends after 31 December 1997.

28. (1) Section 99 of the said Act, amended by section 34 of chapter 5 of the statutes of 2000 and by section 10 of chapter 39 of the statutes of 2000, is again amended by replacing, in subparagraph iii of paragraph *f*, "subparagraph i or iv of paragraph *e* of section 93" by "subparagraph i of subparagraph *e* of the first paragraph of section 93 or subparagraph *c* of the second paragraph of that section".

(2) Subsection 1 has effect from 24 February 1998.

29. (1) Section 101.1 of the said Act is amended by replacing "For the purposes of subparagraph iii of paragraph *e*" by "For the purposes of subparagraph *a* of the second paragraph".

(2) Subsection 1 has effect from 24 February 1998.

30. (1) Section 101.2 of the said Act is amended by replacing "For the purposes of subparagraph iii of paragraph *e*" by "For the purposes of subparagraph *a* of the second paragraph".

(2) Subsection 1 has effect from 24 February 1998.

31. (1) Section 104.1 of the said Act is amended by replacing, in subparagraph *b* of the second paragraph, "paragraph *b*" by "subparagraph *b* of the first paragraph".

(2) Subsection 1 has effect from 24 February 1998.

32. (1) Section 104.1.1 of the said Act is replaced by the following:

"**104.1.1.** A partnership shall include in computing the partnership's income from a business for a fiscal period, in this section referred to as the "particular fiscal period", the amount determined under the second paragraph, if

(*a*) an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the partnership's income for the particular fiscal period; and

(*b*) an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted, in respect of the property referred to in subparagraph *a*, in computing the partnership's income from a business for a fiscal period preceding the particular fiscal period under any of sections 156.1 and 156.1.1.

The amount to which the first paragraph refers that the partnership is required to include in computing its income for the particular fiscal period is equal to the amount determined by the formula

$A \times B/C$.

In the formula provided for in the second paragraph,

(*a*) A is the product obtained by multiplying the aggregate of the amounts determined under any of sections 156.2 to 156.3.1, in respect of the depreciable property for a fiscal period preceding the particular fiscal period, by the quotient obtained by dividing the amount included in computing the partnership's income for the particular fiscal period under section 94 in respect of the property by the total depreciation, within the meaning of subparagraph *b* of the first paragraph of section 93, allowed to the partnership in respect of the property;

(*b*) B is the aggregate of the business carried on in Canada or Québec and elsewhere by the partnership in the particular fiscal period;

(*c*) C is the business carried on in Québec by the partnership in the particular fiscal period."

(2) Subsection 1 has effect from 1 April 1998. In addition, where subparagraph *a* of the second paragraph of section 104.1.1 of the said Act, replaced by subsection 1, applies after 23 February 1998, it shall be read with "paragraph *b*" replaced by "subparagraph *b* of the first paragraph".

33. (1) Section 104.2 of the said Act is amended by replacing paragraph *b* by the following:

"(*b*) the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a corporation is made in the manner prescribed by the regulations made pursuant to section 771, with the necessary modifications, and the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a partnership is made in the manner so prescribed by those regulations, with the necessary modifications, as if the partnership were a corporation and its fiscal period were a taxation year."

(2) Subsection 1 has effect from 1 April 1998.

34. (1) Section 125.1 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**125.1.** Where a taxpayer, in this division referred to as the "lessee", has leased tangible property, other than prescribed property, that would, if the lessee had acquired the property, have been depreciable property of the lessee, from a person resident in Canada other than a person whose taxable income is exempt from tax under this Part, or from a person not resident in Canada who holds the lease in the course of carrying on a business through an establishment in Canada any income from which is subject to tax under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), who owns the property and with whom the lessee was dealing at arm's length, in this division referred to as the "lessor", for a term of more than one year, the following rules apply for the purpose of computing the income of the lessee for the taxation year that includes the particular time when the lease began and for all subsequent taxation years, if the lessee and the lessor have jointly so elected in a prescribed form filed with their fiscal returns under this Part for their respective taxation years that include the particular time:".

(2) Subject to subsection 3, subsection 1 applies to leases entered into by a taxpayer or partnership after 3:30 p.m., Eastern Daylight Saving Time, 18 August 1998, other than such leases entered into after that time pursuant to an agreement in writing made before that time under which the taxpayer or partnership was required to enter into the lease and in respect of which there is no agreement or other arrangement under which the obligation of the taxpayer or partnership to enter into the lease can be changed, reduced or waived if there is a change to the said Act or if there is an adverse assessment under the said Act.

(3) For the purposes of subsection 2, a lease in respect of which a material change has been agreed to by the parties to the lease, effective at any particular time that is after 3:30 p.m., Eastern Daylight Saving Time, 18 August 1998, is deemed to have been entered into at that particular time.

35. (1) Division VI of Chapter II of Title III of Book III of Part I of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 23 February 1998.

36. (1) The said Act is amended by inserting, after section 127, the following:

"**DIVISION VII**

"AMOUNT OWING BY A PERSON NOT RESIDENT IN CANADA

"**127.1.** In this division,

"active business" has the meaning assigned by subsection 1 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

"controlled foreign affiliate", at any time, of a taxpayer resident in Canada means a foreign affiliate of such taxpayer that is controlled by the taxpayer, by the taxpayer and not more than four other persons resident in Canada, by not more than four persons resident in Canada, other than the taxpayer, by one or more persons resident in Canada with whom the taxpayer does not deal at arm's length, or by the taxpayer and one or more persons resident in Canada with whom the taxpayer does not deal at arm's length;

"exempt loan or transfer" means a loan or transfer of property made by a corporation to a person or a partnership where

(*a*) at the time of the loan or transfer, the corporation was not related to the person or to any member of the partnership, as the case may be;

(*b*) the loan or transfer of property was not part of a series of transactions or events at the end of which the corporation was related to the person or to any member of the partnership, as the case may be; and

(*c*) the terms and conditions of the loan or transfer, determined without reference to any other loan or transfer of property to either a person related to the corporation or a partnership any member of which was related to the corporation, are such that persons dealing at arm's length would have been willing to enter into them at the time that they were entered into;

"income from an active business" has the meaning assigned by subsection 1 of section 95 of the Income Tax Act;

"non-discretionary trust", at any time, means a trust in which all interests were vested indefeasibly at the beginning of the trust's taxation year that includes that time;

"settlor" in respect of a trust, at any time, means any person or partnership that has made a loan or transfer of property, either directly or indirectly in any manner whatever, to or for the benefit of the trust at or before that time, other than, where the person or partnership deals at arm's length with the trust at that time,

(*a*) a loan made by the person or partnership to the trust at a reasonable rate of interest; or

(*b*) a transfer of property made by the person or partnership to the trust for fair market value consideration.

"**127.2.** For the purposes of this division, the following rules apply in determining whether persons are related to each other and whether a corporation not resident in Canada is a controlled foreign affiliate of a corporation resident in Canada at any time:

(*a*) each member of a partnership is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation that are owned by the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership; and

(*b*) each beneficiary of a non-discretionary trust is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation that are owned by the trust at that time that the fair market value at that time of the beneficiary's beneficial interest in the trust is of the fair market value at that time of all the beneficial interests in the trust.

"**127.3.** For the purposes of this division, in determining whether persons are related to each other at any time, each settlor in respect of a trust, other than a non-discretionary trust, is deemed to own the shares of a class of the capital stock of a corporation owned by the trust at that time.

"**127.4.** For the purposes of this division, in determining whether a person who is not resident in Canada is a controlled foreign affiliate of a corporation resident in Canada at any time, each settlor in respect of a trust, other than a non-discretionary trust, is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation owned by the trust at that time that one is of the number of settlors in respect of the trust at that time.

"**127.5.** For the purposes of this division, where, at any time, two corporations resident in Canada are related, otherwise than because of a right referred to in paragraph *b* of section 20, any corporation that is a controlled foreign affiliate of one of the corporations at that time is deemed to be a controlled foreign affiliate of the other corporation at that time.

"**127.6.** Where, at any time in a taxation year of a corporation resident in Canada, a person not resident in Canada owes an amount to the corporation, that amount has been or remains outstanding for more than a year and the amount determined under the second paragraph for the year is less than the amount of interest that would be included in computing the corporation's income for the year in respect of the amount owing if that interest were computed at a reasonable rate for the period in the year during which the amount was owing, the corporation shall include an amount in computing its income for the year equal to the amount by which the amount of interest that would be included in computing the corporation's income for the year in respect of the amount owing if that interest were computed at the prescribed rate for the period in the year during which the amount was owing exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is equal to the aggregate of

(*a*) an amount included in computing the corporation's income for the year as, on account of, in lieu of or in satisfaction of, interest in respect of the amount owing;

(*b*) an amount received or receivable by the corporation from a trust that is included in computing the corporation's income for the year or a subsequent year and that can reasonably be attributed to interest on the amount owing for the period in the year during which the amount was owing; and

(*c*) an amount that is included in computing the corporation's income for the year or a subsequent year under section 580 and that can reasonably be attributed to interest on the amount owing for the period in the year during which the amount was owing.

"**127.7.** For the purposes of this division and subject to section 127.8, a person not resident in Canada is deemed at any time to owe to a corporation resident in Canada an amount equal to the amount owing to a particular person or partnership where

(*a*) the person not resident in Canada owes an amount at that time to the particular person or partnership, other than a corporation resident in Canada; and

(*b*) it may reasonably be considered that the particular person or partnership entered into the transaction under which the amount became owing or the particular person or partnership permitted the amount owing to remain outstanding because a corporation resident in Canada made a loan or transfer of property, or the particular person or partnership anticipated that a corporation resident in Canada would make a loan or transfer of property, either directly or indirectly in any manner whatever, to or for the benefit of any person or partnership, other than an exempt loan or transfer.

"**127.8.** Section 127.7 does not apply to an amount owing at any time by a person not resident in Canada to a particular person or partnership where

(*a*) at that time, the person not resident in Canada and the particular person or each member of the particular partnership, as the case may be, are controlled foreign affiliates of the corporation resident in Canada; or

(*b*) at that time,

i. the person not resident in Canada and the particular person are not related or the person not resident in Canada and each member of the particular partnership are not related, as the case may be,

ii. the terms and conditions made or imposed in respect of the amount owing, determined without reference to any loan or transfer of property by a corporation resident in Canada described in paragraph *b* of section 127.7 in respect of the amount owing, are such that persons dealing at arm's length would have been willing to enter into them at the time that they were entered into, and

iii. if there were an amount of interest payable on the amount owing at that time that would be required to be included in computing the income of a foreign affiliate of the corporation resident in Canada for a taxation year, that amount of interest would not be required to be included in computing the foreign accrual property income, within the meaning of section 579, of the foreign affiliate for that year.

"**127.9.** For the purposes of this division, where a person not resident in Canada owes a particular amount at any time to a partnership and section 127.7 does not deem the person not resident in Canada to owe an amount equal to that particular amount to a corporation resident in Canada, the person not resident in Canada is deemed to owe at that time to each member of the partnership, on the same terms and conditions as those that apply in respect of the amount owing to the partnership, that proportion of the amount owing to the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership.

"**127.10.** For the purposes of this division, where a person not resident in Canada owes a particular amount at any time to a trust and section 127.7 does not deem that person to owe an amount equal to that particular amount to a corporation resident in Canada, the following rules apply:

(*a*) where the trust is a non-discretionary trust at that time, the person not resident in Canada is deemed to owe at that time to each beneficiary of the trust, on the same terms and conditions as those that apply in respect of the amount owing to the trust, an amount equal to that proportion of the amount owing to the trust at that time that the fair market value at that time of the beneficiary's beneficial interest in the trust is of the fair market value at that time of all the beneficial interests in the trust; and

(*b*) in any other case, the person not resident in Canada is deemed to owe at that time to each settlor in respect of the trust, on the same terms and conditions as those that apply in respect of the amount owing to the trust, an amount equal to the amount owing to the trust.

"**127.11.** For the purposes of this division, where a particular partnership owes an amount at any time to any person or any other partnership, in this section referred to as the "lender", each member of the particular partnership is deemed to owe at that time to the lender, on the same terms and conditions as those that apply in respect of the amount owing by the particular partnership to the lender, an amount equal to that proportion of the amount owing to the lender at that time that the fair market value at that time of the member's interest in the particular partnership is of the fair market value at that time of the interests of all members in the particular partnership.

"**127.12.** Section 127.6 does not apply to an amount owing to a corporation resident in Canada by a person not resident in Canada if a prescribed tax has been paid on the amount owing.

For the purposes of this section, a prescribed tax is deemed not to have been paid on that portion of the amount owing in respect of which an amount was repaid or applied in accordance with subsection 6.1 of section 227 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

"**127.13.** Section 127.6 does not apply to a corporation resident in Canada for a taxation year of the corporation in respect of an amount owing to the corporation by a person not resident in Canada if that person is a controlled foreign affiliate of the corporation throughout the period in the year during which the amount is owing and it is established that the amount owing

(*a*) arose as a loan or advance of money to the affiliate that the affiliate has used, throughout the period that began when the loan or advance was made and that ended at the earlier of the end of the year and the time at which the amount was repaid, for the purpose of earning

i. income from an active business, or

ii. income that was included in computing the income from an active business of the affiliate under subsection 2 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement); or

(*b*) arose in the course of an active business carried on by the affiliate throughout the period that began when the amount owing arose and that ended at the earlier of the end of the year and the time at which the amount was repaid.

"**127.14.** Section 127.6 does not apply to a corporation resident in Canada for a taxation year of the corporation in respect of an amount owing to the corporation by a person not resident in Canada if

(*a*) the corporation is not related to the person not resident in Canada throughout the period in the year during which the amount owing remains outstanding;

(*b*) the amount owing arose in respect of goods sold or services provided to the person not resident in Canada by the corporation in the ordinary course of the business carried on by the corporation; and

(*c*) the terms and conditions in respect of the amount owing are such that persons dealing at arm's length would have been willing to enter into them at the time that they were entered into.

"**127.15.** For the purposes of this division,

(*a*) where any person or partnership has a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to, or to acquire, shares of the capital stock of a corporation, that person or partnership is deemed to own those shares if it can reasonably be considered that the principal purpose for the existence of the right is to avoid or reduce the amount of income that a corporation would otherwise be required to include in computing its income for a taxation year under section 127.6; and

(*b*) where any person or partnership acquires or disposes of shares of the capital stock of a corporation, either directly or indirectly, and it can reasonably be considered that the principal purpose for the acquisition or disposition of the shares is to avoid or reduce the amount of income that a corporation would otherwise be required to include in computing its income for a taxation year under section 127.6, those shares are deemed not to have been acquired or disposed of, as the case may be, and where the shares were unissued by the corporation immediately before the acquisition, those shares are deemed not to have been issued."

(2) Subsection 1, where it enacts sections 127.1 to 127.6 and 127.9 to 127.15 of the said Act, applies to taxation years that begin after 23 February 1998. However, where section 127.12 of the said Act applies to taxation years that end before 10 March 1999, it shall be read without reference to the second paragraph thereof.

(3) Subsection 1, where it enacts sections 127.7 and 127.8 of the said Act, applies to taxation years that begin after 31 December 1999.

37. (1) Section 130.1 of the said Act is amended by replacing the first paragraph by the following:

"**130.1.** Notwithstanding sections 128, 129 and 133, no amount may be deducted by a taxpayer in computing the taxpayer's income for a taxation year under paragraph *a* of section 130 in respect of the taxpayer's depreciable property of a prescribed class where, at the end of the year, the aggregate of the amounts determined under subparagraphs i to ii.3 of subparagraph *e* of the

first paragraph of section 93 exceeds the amount determined under the second paragraph of that section in respect of the taxpayer's depreciable property of that class and, at that time, the taxpayer no longer owns any property of that class."

(2) Subsection 1 has effect from 24 February 1998.

38. (1) The said Act is amended by inserting, after section 146.1, the following section:

"**146.2.** A taxpayer may deduct, in computing the taxpayer's income from a business for a taxation year, an amount not exceeding the lesser of

(*a*) the amount of income or profits tax described in section 772.5.1 that

i. is in respect of a property used in the business for a period of ownership by the taxpayer or in respect of a related transaction, as defined in section 772.2,

ii. is paid by the taxpayer for the year,

iii. is, because of section 772.5.1, not included in computing the taxpayer's business-income tax or non-business-income tax, as defined in section 772.2, and

iv. where the taxpayer is a corporation, is not an amount that can reasonably be regarded as having been paid in respect of income from a share of the capital stock of a foreign affiliate of the taxpayer; and

(*b*) the portion of the taxpayer's income for the year from the business that is attributable to the property for the period or to a related transaction, as defined in section 772.2."

(2) Subsection 1 applies from the taxation year 1998.

39. (1) Section 157 of the said Act, amended by section 43 of chapter 5 of the statutes of 2000, is again amended by adding, after paragraph *t*, the following paragraph:

"(*u*) an amount paid in the year by the taxpayer as or on account of an existing or proposed countervailing or anti-dumping duty in respect of property other than depreciable property."

(2) Subsection 1 applies in respect of amounts that become payable after 23 February 1998.

40. (1) Section 255 of the said Act, amended by section 68 of chapter 5 of the statutes of 2000 and by section 31 of chapter 7 of the statutes of 2001, is again amended

(1) by inserting, after paragraph *d*, the following paragraph:

"(*d*.1) where the property is a share of the capital stock of a corporation, the amount of any dividend deemed by paragraph *c*.1 of section 785.1 to have been received in respect of the share by the taxpayer before that time and while the taxpayer was resident in Canada;";

(2) by replacing paragraph *f* by the following:

"(*f*) where the property is a share of the capital stock of a corporation, the amount of the benefit that, in respect of the acquisition of the property by the taxpayer, is deemed by sections 47.18 to 58 to have been received in any taxation year that begins before the particular time and ends after 31 December 1971 by the taxpayer or by a person that did not deal at arm's length with the taxpayer;";

(3) by inserting, after paragraph *g*, the following paragraph:

"(*g*.1) where the property is a share of the capital stock of a corporation, any amount required by subparagraph *f* of the second paragraph of section 832.23 to be added;";

(4) by replacing, in the French text of subparagraph ix of paragraph *i*, the words "d'un autre organisme public" by the words "d'une autre administration";

(5) by inserting, after paragraph *j*.2, the following paragraph:

"(*j*.3) where the property is a unit of a mutual fund trust, the amount of the benefit that, in respect of the acquisition of the property by the taxpayer, is deemed by sections 47.18 to 58 to have been received in any taxation year that begins before the particular time by the taxpayer or by a person that did not deal at arm's length with the taxpayer;";

(6) by replacing paragraph *k* by the following:

"(*k*) where the property is land of the taxpayer, any amount paid after 31 December 1971 and before the particular time by the taxpayer or by another taxpayer in respect of whom the taxpayer was a person, corporation or partnership described in subparagraph ii of paragraph *c* of section 165, pursuant to a legal obligation to pay interest on debt relating to the acquisition of land, within the meaning of paragraph *c* of section 165, or property taxes, not including an income or profits taxes or taxes imposed by reference to the transfer of property, paid by the taxpayer in respect of the property to a province or to a Canadian municipality, to the extent that the amount

i. was not deductible by reason of section 164 in computing the taxpayer's income from the land or from a business for any taxation year beginning before that time, and

ii. was not deductible by reason of section 164 in computing the income of the other taxpayer if the amount was not included in or added to the cost to the other taxpayer of any property otherwise than by reason of paragraph *e*.1 or subparagraph xi of paragraph *i*;".

(2) Paragraphs 1 and 6 of subsection 1 have effect from 24 February 1998.

(3) Paragraph 2 of subsection 1 applies in respect of the computation of the adjusted cost base of shares acquired after 28 February 1998.

(4) Paragraph 3 of subsection 1 has effect from 16 December 1998.

(5) Paragraph 5 of subsection 1 applies in respect of the computation of the adjusted cost base of mutual fund trust units acquired after 28 February 1998.

41. (1) Section 257 of the said Act, amended by section 32 of chapter 7 of the statutes of 2001, is again amended

(1) by replacing, in the French text of subparagraph i of paragraph *d*, the words "d'un autre organisme public" by the words "d'une autre administration";

(2) by replacing paragraph *f*.4 by the following:

"(*f*.4) where the property is a right to acquire a share of the capital stock of a corporation or a unit of a mutual fund trust under an agreement, any amount required by paragraph *b* of section 1055.1 to be deducted;".

(2) Paragraph 2 of subsection 1 has effect from 1 March 1998.

42. Section 261.7 of the said Act is amended by replacing, in the French text of subparagraph i of paragraph *e*, the words "d'un organisme public au Canada" by the words "d'une administration au Canada" and the words "l'organisme" by the words "l'administration".

43. (1) Section 280.2 of the said Act, replaced by section 39 of chapter 7 of the statutes of 2001, is amended by replacing "*c*" by "*d*".

(2) Subsection 1 applies in respect of dispositions that occur in a taxation year that ends after 31 December 1997.

44. (1) The said Act is amended by inserting, after section 298, the following section:

"**298.1.** Where a taxpayer acquires a property in satisfaction of an absolute or contingent obligation of a person or partnership to provide the property pursuant to a contract or other arrangement one of the main purposes of which was to establish a right, whether absolute or contingent, to the property and that right was not under the terms of a trust, partnership agreement, share or debt obligation, the satisfaction of the obligation is deemed not to be a disposition of that right."

(2) Subsection 1 applies in respect of obligations satisfied after 15 December 1998.

45. (1) Section 306.2 of the said Act is replaced by the following:

"**306.2.** Notwithstanding any other provision of this Part, the cost of any share of the capital stock of a corporation that becomes resident in Canada at a particular time to any shareholder that is not at that time resident in Canada is deemed to be equal to the fair market value of the share at that time.

However, the first paragraph does not apply if the share was taxable Canadian property immediately before the particular time."

(2) Subsection 1 applies in respect of corporations that become resident in Canada after 23 February 1998.

46. (1) Section 310 of the said Act, amended by section 82 of chapter 5 of the statutes of 2000, is replaced by the following:

"**310.** The amounts that a taxpayer is required to include in computing the taxpayer's income under section 309 include those in respect of a registered retirement savings plan or a registered retirement income fund, to the extent provided in Title IV of Book VII, and those provided for in sections 935.4 to 935.6, 935.15 to 935.17, 965.20, 965.49, 965.50, 968 and 968.1."

(2) Subsection 1 applies from the taxation year 1999.

47. Section 312.4 of the said Act, amended by section 86 of chapter 5 of the statutes of 2000, is again amended by adding, after the second paragraph, the following paragraph:

"The first and second paragraphs do not apply in respect of an amount received pursuant to an order or a written agreement made before 16 June 1999 where, but for the amendments made to subparagraph *a* of the first paragraph of section 2.2.1 by section 14 of the Act to amend various legislative provisions concerning de facto spouses (1999, chapter 14), this section would not have applied in respect of that amount, except if the taxpayer and the particular person jointly elect to have the first and second paragraphs of this section and of section 336.0.3 apply after 15 June 1999 in respect of that amount by filing a document signed by the taxpayer and the particular person with the Minister on or before the taxpayer's and the particular person's filing-due date for the taxation year that includes (*insert the date of assent to this Act*)."

48. (1) The said Act is amended by inserting, after section 316.4, the following section:

"**316.5.** This chapter does not apply to any amount that is included in computing an individual's split income for a taxation year."

(2) Subsection 1 applies from the taxation year 2000.

49. (1) Section 317 of the said Act, amended by section 293 of chapter 5 of the statutes of 2000, is again amended by replacing subparagraph *a* of the first paragraph by the following:

"(*a*) the amount of any pension, supplement or allowance under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) and the amount of any similar payment under a law of a province;".

(2) Subsection 1 has effect from 31 July 2000.

50. (1) Section 335 of the said Act is replaced by the following:

"**335.** Where an individual is, throughout all or part of a taxation year, absent from Canada but resident in Québec and Chapter IX.0.1 applies in respect of the individual for the year or that part of the year, section 358.0.1 shall be read without reference in subparagraph i of subparagraph *a* of the first paragraph thereof to the words "in Canada" and in the second paragraph thereof without reference to ", including, where the payee is an individual, the Social Insurance Number of the latter individual" where the expenses referred to therein have been paid to a person not resident in Canada."

(2) Subsection 1 has effect from 1 January 1998.

51. (1) Section 336 of the said Act, amended by section 87 of chapter 5 of the statutes of 2000, by section 21 of chapter 39 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 336 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing, in paragraph *d*, the words "spouse's allowance" by the word "allowance";

(2) by inserting, after paragraph *d*.2, the following paragraph:

"(*d*.3) the aggregate of all amounts each of which is an amount paid by the taxpayer in the year as a repayment under Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11) of an amount included because of section 904 in computing the taxpayer's income for the year or a preceding taxation year;".

(2) Paragraph 1 of subsection 1 has effect from 31 July 2000.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1998.

52. Section 336.0.3 of the said Act, amended by section 89 of chapter 5 of the statutes of 2000, is again amended by adding, after the second paragraph, the following paragraph:

"The first and second paragraphs do not apply in respect of an amount paid pursuant to an order or a written agreement made before 16 June 1999 where, but for the amendments made to subparagraph *a* of the first paragraph of section 2.2.1 by section 14 of the Act to amend various legislative provisions concerning de facto spouses (1999, chapter 14), this section would not have applied in respect of that amount, except if the taxpayer and the particular person jointly elect to have the first and second paragraphs of this section and of section 312.4 apply after 15 June 1999 in respect of that amount by filing a document signed by the taxpayer and the particular person with the Minister on or before the taxpayer's and the particular person's filing-due date for the taxation year that includes (*insert the date of assent to this Act*)."

53. (1) Section 347 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 1998.

54. (1) Sections 348 and 349 of the said Act are replaced by the following:

"**348.** An individual may deduct in computing the individual's income for a taxation year amounts paid by the individual as moving expenses incurred in respect of an eligible relocation, to the extent that

(*a*) they were not paid on the individual's behalf because of, or in the course of, the individual's office or employment;

(*b*) they were not deductible because of this chapter in computing the individual's income for the preceding taxation year;

(*c*) the aggregate of those amounts does not exceed

i. where the eligible relocation occurs to enable the individual to carry on a business or to be employed at a new work location, the individual's income for the year from the individual's employment at the new location or from carrying on the business at the new work location, and

ii. where the eligible relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, the aggregate of amounts included in computing the individual's income for the year under paragraph *g* or *h* of section 312; and

(*d*) any reimbursement or allowance received by the individual in respect of those expenses is included in computing the individual's income.

"**349.** An individual may deduct in computing the individual's income for a taxation year, under section 348, the amount that the individual would be entitled to deduct under that section 348 if paragraphs *a* and *b* of the definition of "eligible relocation" in the first paragraph of section 349.1 were read as follows:

"(*a*) the relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that institution being in this chapter referred to as "the new work location";

"(*b*) either or both the residence at which the individual ordinarily resided before the relocation, in this chapter referred to as "the old residence", and the residence at which the individual ordinarily resided after the relocation, in this chapter referred to as "the new residence", are in Canada; and"."

(2) Subsection 1 has effect from 1 January 1998.

55. (1) The said Act is amended by inserting, after section 349, the following section:

"**349.1.** In this chapter, "eligible relocation" means a relocation of an individual where

(*a*) the relocation occurs to enable the individual to carry on a business or to be employed at a location in Canada or to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that location and that institution being in this chapter referred to as "the new work location";

(*b*) both the residence at which the individual ordinarily resided before the relocation, in this chapter referred to as "the old residence", and the residence at which the individual ordinarily resided after the relocation, in this chapter referred to as "the new residence", are in Canada; and

(*c*) the distance between the old residence and the new work location is not less than 40 kilometres greater than the distance between the new residence and the new work location.

However, in applying this chapter in respect of a relocation of an individual who is absent from Canada but resident in Québec, the definition of "eligible relocation" in the first paragraph shall be read without reference to the words "in Canada" in subparagraph *a* and without reference to subparagraph *b*."

(2) Subsection 1 has effect from 1 January 1998.

56. (1) Section 350 of the said Act, amended by section 91 of chapter 5 of the statutes of 2000, is again amended

(1) by replacing the portion before paragraph *a* by the following:

"**350.** For the purposes of section 348, expenses incurred by an individual as moving expenses are";

(2) by striking out, at the end of paragraph *e*, the word "and";

(3) by adding, after paragraph *f*, the following paragraphs:

"(*g*) interest, property taxes, insurance premiums and the cost of heating and utilities in respect of the old residence, to the extent of the lesser of $5,000 and the total of such expenses of the individual for the period

i. throughout which the old residence is neither ordinarily occupied by the individual or by any other person who ordinarily resided with the individual at the old residence immediately before the move nor rented by the individual to any other person, and

ii. in which reasonable efforts are made to sell the old residence; and

"(*h*) the cost of revising legal documents to reflect the address of the individual's new residence, of replacing drivers' licenses and personal vehicle permits, excluding any cost for vehicle insurance, and of connecting or disconnecting utilities."

(2) Subsection 1 applies in respect of expenses incurred after 31 December 1997.

57. Section 399.3 of the said Act is amended

(1) by replacing the second paragraph by the following:

"The events to which the first paragraph refers are the following:

(*a*) the oil or gas well resulted in the discovery of a natural accumulation of petroleum or natural gas;

(*b*) the period of 24 months commencing on the day of completion of the drilling of the oil or gas well ends and the well has not, within that period, produced otherwise than for specified purposes; or

(*c*) the oil or gas well is abandoned without ever having produced otherwise than for specified purposes.";

(2) by replacing, in the English text, the portion of the third paragraph before subparagraph *a* by the following:

"The excess amount to which the first paragraph refers is the amount by which the aggregate of the following amounts exceeds any assistance that the taxpayer or a partnership of which the taxpayer is a member has received or is entitled to receive in respect of the expenses referred to in any of subparagraphs *a*, *b* and *c*:";

(3) by striking out, in the English text, the text following subparagraph *c* of the third paragraph.

58. Section 413 of the said Act is amended, in the English text, by replacing subparagraph ii of subparagraph *a* of the first paragraph by the following:

"ii. the amount by which the amount determined under subparagraph ii of paragraph *a* of section 418.7 exceeds the amount determined under subparagraph i of the said paragraph; and".

59. (1) Section 421.1 of the said Act is amended by replacing, in the portion before paragraph *a*, "347" by "348".

(2) Subsection 1 has effect from 1 January 1998.

60. (1) Section 421.2 of the said Act, amended by section 24 of chapter 39 of the statutes of 2000, is again amended, in the first paragraph,

(1) by replacing subparagraph *d* by the following:

"(*d*) is an amount that is required to be included in computing any individual's income because of the application of Chapters I and II of Title II of Book III in respect of food or beverages consumed or entertainment enjoyed by the individual or a person with whom the individual does not deal at arm's length, or would be so required but for subparagraph ii of paragraph *a* of section 42;";

(2) by inserting, after subparagraph *d*, the following subparagraph:

"(*d*.1) is an amount that

i. is not paid or payable in respect of a conference, convention, seminar or similar event,

ii. would, but for subparagraph i of paragraph *a* of section 42, be required to be included in computing any individual's income for a taxation year because of the application of Chapters I and II of Title II of Book III in respect of food or beverages consumed or entertainment enjoyed by the individual or a person with whom the individual does not deal at arm's length, and

iii. is paid or payable in respect of the individual's duties performed at a work site in Canada that is

(1) outside any urban area, as defined by the last Census Dictionary published by Statistics Canada before the year, that has a population of at least 40,000 individuals as determined in the last census published by Statistics Canada before the year, and

(2) at least 30 kilometres from the nearest point on the boundary of the nearest such urban area referred to in subparagraph 1;";

(3) by replacing subparagraph *e* by the following:

"(*e*) is in respect of one of six or fewer special events held in a calendar year at which the food, beverages or entertainment is generally available to all individuals employed by the person at a particular place of business of the person and then consumed or enjoyed by those individuals at that time;".

(2) Paragraph 1 of subsection 1 applies in respect of amounts incurred after 17 June 1987 in respect of food, beverages or entertainment consumed or enjoyed by a person after 31 December 1987. However, where paragraph *d* of section 421.2 of the said Act applies to a taxation year preceding the taxation year 1989, it shall be read with "subparagraph ii of paragraph *a* of section 42" replaced by "paragraph *b* of subsection 1 of section 42".

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of expenses incurred after 23 February 1998.

61. (1) Section 422 of the said Act is amended by replacing paragraph *c* by the following:

"(*c*) the taxpayer disposes of it

i. to a person with whom the taxpayer is not dealing at arm's length, gratuitously or for consideration that is less than that fair market value, or

ii. to any person by gift *inter vivos*."

(2) Subsection 1 has effect from 24 February 1998.

62. (1) Section 429 of the said Act is amended by replacing, in subparagraph *c* of the second paragraph, "752.0.18.14" by "752.0.18.15".

(2) Subsection 1 applies from the taxation year 1998.

63. (1) Section 462.14 of the said Act is amended by adding, after paragraph *b*, the following paragraph:

"(*c*) where the designated person is a specified individual in relation to the year, the amount required to be included in computing the designated person's income for the year in respect of all taxable dividends received by the designated person that can reasonably be considered to be part of the benefit sought to be conferred on the designated person under section 462.12 and are included in computing the designated person's split income for any taxation year."

(2) Subsection 1 applies from the taxation year 2000.

64. (1) The said Act is amended by inserting, after section 462.24, the following section:

"**462.24.1.** Sections 456 to 458, 462.1, 462.2, 462.8 to 462.10 and 467 do not apply to any amount that is included in computing a specified individual's split income for a taxation year."

(2) Subsection 1 applies from the taxation year 2000.

65. Section 484.13 of the said Act, amended by section 48 of chapter 7 of the statutes of 2001, is again amended by replacing, in the English text, paragraph *b* by the following:

"(*b*) shall be included after that time in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts of the creditor as a bad, doubtful or impaired debt."

66. (1) Section 485 of the said Act, amended by section 104 of chapter 5 of the statutes of 2000 and by section 49 of chapter 7 of the statutes of 2001, is again amended by replacing the definition of "excluded property" by the following:

""excluded property" means property of a debtor who is not resident in Canada that is tax-agreement-protected property or that is not taxable Canadian property;".

(2) Subsection 1 applies from the taxation year 1998.

67. (1) Section 487.1 of the said Act is amended

(1) by replacing the English text by the following:

"**487.1.** A corporation carrying on a personal services business or an individual is deemed to receive a benefit in a taxation year equal to the amount computed under section 487.2 when a person or partnership contracts a debt because of services provided or to be provided by the corporation or of the individual's previous, current or intended office or employment.";

(2) by adding the following paragraph:

"For the purposes of the first paragraph, a debt is deemed to have been contracted because of an individual's office or employment, or because of services provided by a corporation that carries on a personal services business, if it is reasonable to conclude that, but for the individual's previous, current or intended office or employment, or the services provided or to be provided by the corporation,

(*a*) the terms of the debt would have been different; or

(*b*) the debt would not have been contracted."

(2) Paragraph 2 of subsection 1 applies in respect of debts incurred after 23 February 1998, except debts incurred after that date in respect of an eligible relocation of an individual in connection with which the individual begins employment at a new work location before 1 October 1998, in which case it applies from the taxation year 2001.

68. (1) Section 487.2 of the said Act is amended by replacing, in the portion before subparagraph *a* of the first paragraph, "in section 487.1" by "in the first paragraph of section 487.1".

(2) Subsection 1 applies in respect of debts incurred after 23 February 1998.

69. (1) Section 487.5.1 of the said Act is amended by replacing "under section 487.1" by "under the first paragraph of section 487.1".

(2) Subsection 1 applies in respect of debts incurred after 23 February 1998.

70. Section 487.5.3 of the said Act, replaced by section 115 of chapter 5 of the statutes of 2000, is amended by replacing "described in sections 487.1 and 487.2" by "referred to in section 487.1".

71. Section 503 of the said Act is replaced by the following:

"**503.** The election referred to in section 502 is valid only if it is made in prescribed form and prescribed manner for the total amount of the dividend."

72. Section 503.0.1 of the said Act is amended by replacing the words "in prescribed manner and form and send him" by the words "in a manner satisfactory to the Minister and send to the Minister".

73. Section 503.2 of the said Act is amended by replacing paragraph *b* by the following:

"(*b*) the corporation shall upon or before making the prescribed election notify the Minister and send to the Minister the prescribed documents."

74. (1) Section 517 of the said Act is replaced by the following:

"**517.** A dividend that is deemed by this chapter, Chapter III.1 or section 785.1 to have been paid at a particular time is deemed, for the purposes of this Title, to have become payable at that time."

(2) Subsection 1 has effect from 24 February 1998.

75. (1) Section 555 of the said Act is amended by replacing the first paragraph by the following:

"**555.** This division applies, with the necessary modifications, to a taxpayer in respect of a share or an option to acquire a share of the capital stock of a corporation where there is a foreign merger and, because of the merger, a share or an option to acquire a share of the capital stock of a corporation that was a predecessor foreign corporation immediately before

the merger is exchanged for or becomes a share or an option to acquire a share of the capital stock of the new foreign corporation or the foreign parent corporation."

(2) Subsection 1 applies to a taxpayer in respect of a merger

(1) that occurs after 24 February 1998; or

(2) unless the taxpayer elects not to have subsection 1 apply in respect of the merger by notifying the Minister of Revenue in writing before the end of the sixth month after the month that includes (*insert the date of assent to this Act*), that occurred

(*a*) before 25 February 1998 and in a taxation year of the taxpayer for which the period in which the Minister of Revenue may make a reassessment or an additional assessment under paragraph *a* or *a*.0.1 of subsection 2 of section 1010 of the said Act has not ended before 1 January 1999, or

(*b*) after 31 December 1994 and before 25 February 1998 and in a taxation year of the taxpayer in which the taxpayer was exempt from tax under Book VIII of Part I of the said Act.

(3) Notwithstanding sections 1010 to 1011 of the said Act, the Minister of Revenue shall make such assessments, reassessments or additional assessments of tax, interest and penalties payable by the taxpayer under Part I of the said Act as are necessary for any taxation year to give effect to paragraph 2 of subsection 2, and sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such assessments and reassessments.

76. (1) Section 555.0.1 of the said Act is amended by replacing paragraph *c* by the following:

"(*c*) all or substantially all of the shares of the capital stock of the predecessor foreign corporations, except any shares or options owned by any predecessor foreign corporation, are exchanged for or become, because of the merger or combination, shares of the capital stock of

i. the new foreign corporation, or

ii. another foreign corporation, in this chapter and the said sections referred to as the "foreign parent corporation", if, immediately before the merger, the new foreign corporation was controlled by the foreign parent corporation that was resident in the same country as the new foreign corporation."

(2) Subsection 1 applies to a taxpayer in respect of a merger or combination

(1) that occurs after 24 February 1998; or

(2) unless the taxpayer elects not to have subsection 1 apply in respect of the merger or combination by notifying the Minister of Revenue in writing before the end of the sixth month after the month that includes (*insert the date of assent to this Act*), that occurred

(*a*) before 25 February 1998 and in a taxation year of the taxpayer for which the period in which the Minister of Revenue may make a reassessment or an additional assessment under paragraph *a* or *a*.0.1 of subsection 2 of section 1010 of the said Act has not ended before 1 January 1999, or

(*b*) after 31 December 1994 and before 25 February 1998 and in a taxation year of the taxpayer in which the taxpayer was exempt from tax under Book VIII of Part I of the said Act.

(3) Notwithstanding sections 1010 to 1011 of the said Act, the Minister of Revenue shall make such assessments, reassessments or additional assessments of tax, interest and penalties payable by the taxpayer under Part I of the said Act as are necessary for any taxation year to give effect to paragraph 2 of subsection 2, and sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such assessments and reassessments.

77. Section 564.5 of the said Act, amended by section 34 of chapter 39 of the statutes of 2000, is again amended, in the portion before paragraph *a*, by inserting, after "731", ", 733.0.0.1".

78. Section 589 of the said Act is amended, in the first and third paragraphs, by replacing the words "in prescribed manner and form" by the words "in prescribed form and manner".

79. (1) Section 603 of the said Act, amended by section 61 of chapter 7 of the statutes of 2001, is again amended by replacing, in the portion before paragraph *a*, "and 485.42 to 485.52" by ", 485.42 to 485.52, 832.23 and 832.24".

(2) Subsection 1 applies in respect of fiscal periods that end after 15 December 1998.

80. (1) Section 605.1 of the said Act is amended by replacing, in subparagraph i of paragraph *a*, "subparagraphs i, ii.1, ii.2 and iv to vi.1 of paragraph *e* of section 93" by "subparagraphs i, ii.1 and ii.2 of subparagraph *e* of the first paragraph of section 93 and under subparagraphs *c* to *f* of the second paragraph of that section".

(2) Subsection 1 has effect from 24 February 1998.

81. Section 613.7 of the said Act is amended by replacing, in the French text of paragraph *b*, the words "d'un organisme public au Canada" by the

words “d’une administration au Canada” and the words “un tel organisme” by the words “une telle administration”.

82. (1) Section 651.1 of the said Act is replaced by the following:

“**651.1.** Except as otherwise provided in this Part and without restricting the application of sections 316.1, 456 to 458, 462.1 to 462.24, 466 to 467.1, 766.5 to 766.7 and 1034.0.0.2, an amount included under any of sections 659 and 661 to 663 in computing the income for a taxation year of a beneficiary of a trust is deemed to be income of the beneficiary for the year from a property that is an interest in the trust and not from any other source, and an amount deductible in computing the amount that would, but for paragraphs *a* and *b* of section 657, be the income of a trust for a taxation year shall not be deducted by a beneficiary of the trust in computing the beneficiary’s income for a taxation year.”

(2) Subsection 1 applies from the taxation year 2000.

83. (1) Section 681 of the said Act is amended by replacing, in paragraph *d*, “752.0.18.14” by “752.0.18.15”.

(2) Subsection 1 applies from the taxation year 1998.

84. (1) Section 694 of the said Act is replaced by the following:

“**694.** For the purpose of computing the taxable income of a taxpayer for a taxation year, any deduction granted to the taxpayer under a provision of a prescribed law in computing the taxpayer’s taxable income for a preceding taxation year in respect of which the taxpayer was not subject to tax under this Part, is deemed to have been also granted to the taxpayer under the corresponding provision of this Part in computing the taxpayer’s taxable income for that preceding year.”

(2) Subsection 1 applies from the taxation year 1998.

85. (1) Section 694.0.2 of the said Act, replaced by section (*insert the number of the section in Bill 175 that replaces section 694.0.2 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is amended by replacing the words “spouse’s allowance” by the word “allowance”.

(2) Subsection 1 has effect from 31 July 2000.

86. (1) The said Act is amended by inserting, after section 710.2, the following section:

“**710.2.1.** For the purposes of subparagraph ii of paragraph *c* of section 422 and sections 436 and 710 to 716.0.3, where at any time the Canadian Cultural Property Export Review Board or the Commission des

biens culturels du Québec, as the case may be, determines or redetermines an amount to be the fair market value of a property that is the subject of a gift described in paragraph *a* of section 710 made by a taxpayer within the two-year period that begins at that time, the last amount so determined or redetermined within the period is deemed to be the fair market value of the property at the time the gift was made and, subject to section 716, to be the taxpayer's proceeds of disposition of the property."

(2) Subsection 1 applies in respect of amounts determined or redetermined after 23 February 1998.

87. (1) Section 725 of the said Act, amended by section 39 of chapter 39 of the statutes of 2000, is again amended

(1) by replacing paragraph *a* by the following:

"(*a*) an amount exempt from income tax in Québec or Canada because of a provision contained in a tax agreement with a country other than Canada;";

(2) by replacing paragraph *c* by the following:

"(*c*) a social assistance payment made on the basis of a means, needs or income test, other than a payment received under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), a payment received under the Act respecting income security (chapter S-3.1.1) or a similar payment made under a law of a province, and included in computing the individual's income by reason of section 311.1 or by reason of section 317 as a supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or in respect of any similar payment made under a law of a province;".

(2) Paragraph 1 of subsection 1 applies from the taxation year 1998.

(3) Paragraph 2 of subsection 1, where it replaces the words "spouse's allowance" by the word "allowance", has effect from 31 July 2000.

88. (1) Sections 725.2 and 725.2.1 of the said Act are replaced by the following:

"**725.2.** An individual may deduct an amount equal to 1/4 of the amount of the benefit the individual is deemed to have received in a taxation year under section 49 or any of sections 50 to 52.1, in respect of a security that a particular qualifying person has agreed to sell or issue under an agreement referred to in section 48, or in respect of the transfer or any other disposition of rights under the agreement, if

(*a*) where rights under the agreement were not acquired by the individual as a result of the disposition of rights to which section 49.4 applied,

i. the amount payable by the individual to acquire the security under the agreement, determined without reference to any change in the value of a currency of a country other than Canada relative to Canadian currency during the period between the time the agreement was made and the time the security was acquired, is not less than the amount by which the fair market value of the security at the time the agreement was made exceeds the amount paid by the individual to acquire the right to acquire the security, and

ii. immediately after the agreement was made, the individual was dealing at arm's length with the particular qualifying person and with each qualifying person with which the particular qualifying person was not dealing at arm's length;

(*b*) where rights under the agreement were acquired by the individual as a result of one or more dispositions to which section 49.4 applied,

i. the amount payable by the individual to acquire the old security under the exchanged option in respect of the first of those dispositions, determined without reference to any change in the value of a currency of a country other than Canada relative to Canadian currency during the period between the time the agreement was made and the time the security was acquired, was not less than the amount by which the fair market value of the old security at the time the agreement in respect of the exchanged option was made exceeds the amount paid by the individual to acquire the right to acquire the old security, and

ii. immediately after each of those dispositions, the individual was dealing at arm's length with

(1) the qualifying person with which the individual entered into an agreement to receive consideration in respect of the disposition, and

(2) each qualifying person with which the qualifying person referred to in subparagraph 1 did not deal at arm's length; and

(*c*) the security

i. is described in clause A or B of subparagraph i of paragraph *d* of subsection 1 of section 110 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

ii. would have been a unit of a mutual fund trust at the time of its sale or issue if those units issued by the trust that were not identical to the security had not been issued, or

iii. would have been a unit of a mutual fund trust if it were issued or sold to the individual at the time the individual disposed of rights under the agreement, and those units issued by the trust that were not identical to the security had not been issued.

"**725.2.1.** For the purposes of paragraphs *a* and *b* of section 725.2, the fair market value of a security that is a share of the capital stock of a corporation at the time an agreement in respect of the security was made shall be determined on the assumption that any subdivision or consolidation of shares of the capital stock of the corporation, any reorganization of share capital of the corporation and any stock dividend of the corporation occurring after the agreement was made and before the security was acquired had taken place immediately before the agreement was made."

(2) Subsection 1 applies from the taxation year 1998.

89. (1) Section 725.4 of the said Act is replaced by the following:

"**725.4.** A taxpayer may deduct an amount equal to 1/4 of the amount the taxpayer has included under paragraph *b* of section 218 in computing the taxpayer's income for the year in respect of a share received after 22 May 1985, unless the amount is exempt from income tax in Québec or Canada because of a provision contained in a tax agreement with a country other than Canada."

(2) Subsection 1 applies from the taxation year 1998.

90. (1) Section 726.23 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**726.23.** The amount determined under subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 for a taxation year for a taxpayer in respect of a particular area shall not exceed the amount by which the aggregate of the amounts otherwise determined under that subparagraph ii for the year in respect of that particular area exceeds the value of expenses, or an allowance in respect of expenses incurred by the taxpayer, for the taxpayer's board and lodging in the particular area, other than at a work site described in subparagraph *d*.1 of the first paragraph of section 421.2, that".

(2) Subsection 1 applies from the taxation year 1998.

91. (1) Section 728 of the said Act is replaced by the following:

"**728.** For the purposes of section 727, the "non-capital loss" of a taxpayer for a taxation year means the amount by which the amount determined under section 728.0.1 in respect of the taxpayer for the year exceeds the aggregate of

(*a*) the taxpayer's farm loss for the year; and

(*b*) any amount by which the non-capital loss of the taxpayer for the year is required to be reduced because of sections 485 to 485.18."

(2) Subsection 1 applies from the taxation year 1998.

92. (1) Section 728.0.1 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**728.0.1.** The amount to which section 728 refers is the amount by which".

(2) Subsection 1 applies from the taxation year 1998.

93. (1) Section 728.2 of the said Act is amended

(1) by replacing the portion before subparagraph *a* of the first paragraph by the following:

"**728.2.** In section 728.1, the farm loss of a taxpayer for a taxation year means the amount by which the lesser of the following amounts exceeds any amount by which the farm loss of the taxpayer for the year is required to be reduced because of sections 485 to 485.18:";

(2) by striking out, at the end of the French text of subparagraph *a* of the first paragraph, the word "ou";

(3) by replacing subparagraph *b* of the first paragraph by the following:

"(*b*) the amount that would be the taxpayer's non-capital loss if section 728 were read without paragraph *a* thereof.";

(4) by striking out the second paragraph.

(2) Subsection 1 applies from the taxation year 1998.

94. (1) Section 733.1 of the said Act is replaced by the following:

"**733.1.** For the purposes of this Title, a taxpayer's non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss for a taxation year during which the taxpayer was not resident in Canada shall be determined as if, throughout the period referred to in subparagraph *b* of the second paragraph of section 23, in the case of an individual referred to in section 23, 24 or 25 in respect of whom such a period applies, and throughout the year, in any other case, the taxpayer had no income other than income described in subparagraphs *a* to *l* of the first paragraph of section 1090, the taxpayer's only taxable capital gains and allowable capital losses were taxable capital gains and allowable capital losses from the disposition of taxable Canadian property, other than tax-agreement-protected property, and the taxpayer's only other losses were losses from the duties of an office or employment performed by the taxpayer in Canada and the taxpayer's only other losses from businesses, other than tax-agreement-protected businesses, carried on by the taxpayer in Canada that were attributable, in the manner prescribed for the purposes of section 1090, to an establishment in Canada."

(2) Subsection 1 applies in respect of the computation of taxable income and taxable income earned in Canada for taxation years subsequent to the taxation year 1997.

95. (1) Title VII.1 of Book IV of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

96. (1) The said Act is amended by inserting, after section 737.28, the following:

"**TITLE VII.7**

"DEDUCTION IN RESPECT OF SPLIT INCOME

"**737.29.** A specified individual in relation to a taxation year may deduct in computing the specified individual's taxable income for the year the specified individual's split income for the year."

(2) Subsection 1 applies from the taxation year 2000.

97. (1) Section 749.1 of the said Act is replaced by the following:

"**749.1.** In this Book, except for the purposes of sections 772.2 to 772.13, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or referred to by any other similar expression, shall be computed as if this Part were read without reference to Book V.1."

(2) Subsection 1 applies from the taxation year 1998.

98. (1) Section 750.1 of the said Act, enacted by section (*insert the number of the section in Bill 175 that enacts section 750.1 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is amended by replacing, in the portion before paragraph *a*, "768" by "752.0.18.15, 768".

(2) Subsection 1 applies from the taxation year 2000.

99. Section 752.0.7.3 of the said Act is replaced by the following:

"**752.0.7.3.** For the purposes of the definition of "family income" in section 752.0.7.1, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death."

100. (1) Section 752.0.10 of the said Act, amended by section 59 of chapter 39 of the statutes of 2000, is again amended

(1) by replacing, in paragraph *a*, the words "spouse's allowance" by the word "allowance";

(2) by replacing, in the French text of paragraph *b*, the word "versée" by the word "versé".

(2) Paragraph 1 of subsection 1, where it replaces the words "spouse's allowance" by the word "allowance", has effect from 31 July 2000.

101. (1) The said Act is amended by inserting, after section 752.0.10.4, the following section:

"**752.0.10.4.0.1.** For the purposes of subparagraph ii of paragraph *c* of section 422, section 436 and sections 752.0.10.1 to 752.0.10.18, where at any time the Canadian Cultural Property Export Review Board or the Commission des biens culturels du Québec, as the case may be, determines or redetermines an amount to be the fair market value of a property that is the subject of a gift described in the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1 made by a taxpayer within the two-year period that begins at that time, the last amount so determined or redetermined within the period is deemed to be the fair market value of the property at the time the gift was made and, subject to sections 752.0.10.12 and 752.0.10.13, to be the taxpayer's proceeds of disposition of the property."

(2) Subsection 1 applies in respect of amounts determined or redetermined after 23 February 1998.

102. (1) Section 752.0.11.1 of the said Act, amended by section 164 of chapter 5 of the statutes of 2000, by section 60 of chapter 39 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 752.0.11.1 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing subparagraph i of paragraph *m*.1 by the following:

"i. no part of the remuneration is included in computing an amount deducted in respect of the person under any of sections 78.8, 157.18 and 358.0.1 or any of paragraphs *k*, *l*, *m*, *m*.2 and *n* for a taxation year, or taken into consideration in computing an amount deemed to have been paid to the Minister in respect of the person under Division II.13 of Chapter III.1 of Title III of Book IX for any taxation year,";

(2) by inserting, after paragraph *m*.1, the following paragraph:

"(*m*.2) as remuneration for a person's care or supervision provided in a group home in Canada maintained and operated exclusively for the benefit of individuals who have a severe and prolonged impairment, if, because of the person's severe and prolonged impairment, the person is a person in respect of whom an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part for the taxation year in which the expense was incurred, where

i. no part of the remuneration is included in computing an amount deducted in respect of the person under any of sections 78.8, 157.18 and 358.0.1 or any of paragraphs *k*, *l*, *m*, *m*.1 and *n* for a taxation year, or taken into consideration in computing an amount deemed to have been paid to the Minister in respect of the person under Division II.13 of Chapter III.1 of Title III of Book IX for any taxation year, and

ii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;";

(3) by inserting, after paragraph *o*.5, the following paragraphs:

"(*o*.6) for reasonable expenses, other than amounts paid to a person who was at the time of the payment the spouse of the individual referred to in section 752.0.11 or a person under 18 years of age, to train the individual, or a person related to the individual, if the training relates to the mental or physical impairment of a person who is related to the individual and is a member of the individual's household or is dependent on the individual for support;

"(*o*.7) as remuneration for therapy provided to a person because of the person's severe and prolonged impairment, if because of the person's impairment an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part for the taxation year in which the expense was incurred, where

i. the therapy is prescribed by, and administered under the general supervision of a physician or a psychologist, in the case of mental impairment, or a physician or an occupational therapist, in the case of a physical impairment,

ii. at the time the remuneration is paid, the payee is neither the person's spouse nor an individual who is under 18 years of age, and

iii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;

"(*o*.8) as remuneration for tutoring services that are rendered to, and are supplementary to the primary education of, a person who has a learning disability or a mental impairment, and has been certified in writing by a medical practitioner to be a person who, because of that disability or

impairment, requires those services, if the payment is made to a person ordinarily engaged in the business of providing such services to individuals who are not related to the payee;".

(2) Paragraphs 1 and 2 of subsection 1 and paragraph 3 of that subsection 1, except where it enacts paragraph *o*.6 of section 752.0.11.1 of the said Act, apply from the taxation year 1999.

(3) Paragraph 3 of subsection 1, where it enacts paragraph *o*.6 of section 752.0.11.1 of the said Act, applies from the taxation year 1998.

103. (1) Section 752.0.12 of the said Act is amended

(1) by replacing the first paragraph by the following:

"**752.0.12.** The expenses referred to in subparagraph *b* of the second paragraph of section 752.0.11, except where that subparagraph *b* refers to the expenses described in paragraph *o*.6 of section 752.0.11.1, must have been paid for the benefit of the individual, the individual's spouse or any other person who is a dependant of the individual in the taxation year in which the expenses were incurred.";

(2) by inserting, after the first paragraph, the following paragraph:

"The expenses referred to in subparagraph *b* of the second paragraph of section 752.0.11, where that subparagraph *b* refers to the expenses described in paragraph *o*.6 of section 752.0.11.1, must have been paid in the taxation year in which the expenses were incurred."

(2) Subsection 1 applies from the taxation year 1998.

104. (1) Section 752.0.14 of the said Act, amended by section 166 of chapter 5 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 752.0.14 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing paragraph *b* by the following:

"(*b*) a physician or, where the individual has a sight impairment, a physician or an optometrist, or, where the individual has a hearing impairment, a physician or an audiologist, or, where the individual has an impairment with respect to the individual's ability in walking, or in feeding and dressing themself, a physician or an occupational therapist, or, where the individual has an impairment with respect to the individual's ability in perceiving, thinking and remembering, a physician or a psychologist, has certified in prescribed form that the individual has an impairment referred to in paragraph *a*;".

(2) Subsection 1 applies in respect of certifications made after 24 February 1998.

105. (1) Section 752.0.18 of the said Act, amended by section 167 of chapter 5 of the statutes of 2000, is again amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

"**752.0.18.** For the purposes of sections 752.0.11 to 752.0.16 and 1029.8.67 to 1029.8.81, a reference to an audiologist, dentist, occupational therapist, nurse, physician, optometrist, pharmacist, psychologist or practitioner is a reference to a person authorized to practise as such".

(2) Subsection 1 has effect from 25 February 1998.

106. (1) The said Act is amended by inserting, after section 752.0.18.14, the following:

"**CHAPTER I.0.3.3.1**

"CREDIT FOR INTEREST ON STUDENT LOANS

"**752.0.18.15.** An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by the aggregate of all amounts each of which is an amount of interest, other than any amount paid on account of or in satisfaction of interest under a judgment, paid in the year or in a preceding taxation year that is after the year 1997 by the individual or a person related to the individual on a loan made to, or other amount owing by, the individual under

(*a*) the Act respecting financial assistance for education expenses (chapter A-13.3);

(*b*) the Canada Student Loans Act (Revised Statutes of Canada, 1985, chapter S-23);

(*c*) the Canada Student Financial Assistance Act (Statutes of Canada, 1994, chapter 28); or

(*d*) a law of a province other than Québec governing the granting of financial assistance to students at the post-secondary school level.

However, in computing the deduction provided for in the first paragraph in respect of an individual for a taxation year, an amount of interest paid in a preceding taxation year shall not be taken into account if it was taken into account in determining an amount that was deducted under this section for another taxation year or if it was taken into account in determining an amount that was deducted under section 118.62 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for a taxation year in which the individual was not subject to tax under this Part."

(2) Subsection 1 applies from the taxation year 1998. However, where section 752.0.18.15 of the said Act applies to the taxation years 1998 and 1999, it shall be read with "to the amount obtained by multiplying the percentage specified in section 750.1 for the year by", in the portion of the first paragraph before subparagraph *a*, replaced by "to 23% of".

107. Section 752.0.19 of the said Act, amended by section 66 of chapter 39 of the statutes of 2000, is again amended by replacing subparagraph ii of paragraph *b* by the following:

"ii. in any other case, the first deduction provided for in the portion of section 752.0.1 before paragraph *a* and the deductions provided for in sections 752.0.13.4, 752.0.18.1, 752.0.18.3 and 752.0.18.8."

108. (1) Section 752.0.22 of the said Act is amended by replacing "and 767" by ", 752.0.18.15 and 767".

(2) Subsection 1 applies from the taxation year 1998.

109. (1) Section 752.0.24 of the said Act is amended by replacing, in subparagraph i of subparagraph *a* of the first paragraph, "and 752.0.18.10" by ", 752.0.18.10 and 752.0.18.15".

(2) Subsection 1 applies from the taxation year 1998.

110. (1) Section 752.0.25 of the said Act, replaced by section (*insert the number of the section in Bill 175 that replaces section 752.0.25 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is amended by replacing, in subparagraph *a* of the second paragraph, "and 752.0.19" by ", 752.0.18.15 and 752.0.19".

(2) Subsection 1 applies from the taxation year 2000.

111. (1) Section 752.0.26 of the said Act is amended by replacing "752.0.18.14" by "752.0.18.15".

(2) Subsection 1 applies from the taxation year 1998.

112. (1) Chapter I.1 of Title I of Book V of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

113. (1) Section 752.12 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following:

"**752.12.** An individual may deduct from the amount that, but for this section and sections 752.14 and 766.6, would be the individual's tax otherwise payable under this Part for a particular taxation year such amount as the individual may claim not exceeding the lesser of";

(2) by replacing paragraph *b* by the following:

"(*b*) the amount by which the amount that, but for this section and sections 752.14 and 766.6, would be the individual's tax otherwise payable under this Part for the particular year, if such tax were determined under Book V without taking account of sections 772.2 to 772.13, 776, 776.1.1 to 776.1.5, exceeds the amount of the minimum tax applicable to that individual for the particular year as determined under section 776.46."

(2) Subsection 1 applies from the taxation year 1998. However, where the portion of section 752.12 of the said Act before paragraph *a* and paragraph *b* of that section 752.12 apply in respect of the taxation years 1998 and 1999, they shall be read with "sections 752.14 and 766.6" replaced by "section 752.14".

114. (1) Section 752.14 of the said Act is replaced by the following:

"**752.14.** For the purposes of section 752.12, additional tax of an individual for a taxation year is the amount by which the individual's minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the individual's tax otherwise payable under this Part for the year if such amount were determined under Book V without reference to sections 766.6, 772.2 to 772.13, 776 and 776.1.1 to 776.1.5."

(2) Subsection 1 applies from the taxation year 1998. However, where section 752.14 of the said Act, enacted by subsection 1, applies in respect of the taxation years 1998 and 1999, it shall be read without reference to "766.6,".

115. Section 752.16 of the said Act, amended by section 106 of chapter 7 of the statutes of 2001, is again amended by striking out "or of a taxation year of an individual in respect of which the individual has made an election under sections 758 to 766.1".

116. Chapter II of Title I of Book V of Part I of the said Act is repealed.

117. (1) The said Act is amended by inserting, after Chapter II.2 of Title I of Book V, the following:

"**CHAPTER II.3**

"TAX ON SPLIT INCOME

"**766.5.** In this chapter,

"excluded amount", in respect of an individual for a taxation year, means an amount that is the income from a property acquired by or for the benefit of the individual as a consequence of the death of

(*a*) the father or mother of the individual; or

(*b*) any other person, if the individual is enrolled as a full-time student during the year at an educational institution prescribed for the purposes of paragraph *d* of the definition of "trust" in section 890.15, or an individual in respect of whom an amount is deductible under section 752.0.14 in computing a taxpayer's tax payable for the year;

"specified individual", in relation to a taxation year, means an individual

(*a*) who had not attained the age of 17 years before the year;

(*b*) who was a resident in Canada throughout the year; and

(*c*) whose father or mother was resident in Canada at any time in the year;

"split income" of a specified individual for a taxation year means the aggregate of all amounts, other than excluded amounts, each of which is

(*a*) an amount required to be included in computing the individual's income for the year in respect of taxable dividends received by the individual in respect of shares of the capital stock of a corporation, other than shares of a class listed on a Canadian stock exchange or a foreign stock exchange or shares of the capital stock of a mutual fund corporation, or because of the application of Division IV of Title III of Book III in respect of the ownership by any person of shares of the capital stock of a corporation, other than shares of a class listed on such a stock exchange;

(*b*) a portion of an amount included pursuant to paragraph *f* of section 600 in computing the individual's income for the year, to the extent that the portion

i. is not included in an amount described in paragraph *a*, and

ii. can reasonably be considered to be income derived from the provision of property or services by a partnership or trust to or in support of a business carried on by

(1) a person who is related to the individual at any time in the year,

(2) a corporation of which a person who is related to the individual is a specified shareholder at any time in the year, or

(3) a professional corporation of which a person related to the individual is a shareholder at any time in the year; or

(*c*) a portion of an amount included because of section 662 or 663 in respect of a trust, other than a mutual fund trust, in computing the individual's income for the year, to the extent that the portion

i. is not included in an amount described in paragraph *a*, and

ii. can reasonably be considered to be in respect of taxable dividends received in respect of shares of the capital stock of a corporation, other than shares of a class listed on a Canadian stock exchange or a foreign stock exchange or shares of the capital stock of a mutual fund corporation, to arise because of the application of Division IV of Title III of Book III in respect of the ownership by any person of shares of the capital stock of a corporation, other than shares of a class listed on such a stock exchange, or to be income derived from the provision of property or services by a partnership or trust to or in support of a business carried on by

(1) a person who is related to the individual at any time in the year,

(2) a corporation of which a person who is related to the individual is a specified shareholder at any time in the year, or

(3) a professional corporation of which a person related to the individual is a shareholder at any time in the year.

"**766.6.** A specified individual shall add to the specified individual's tax otherwise payable for a taxation year under this Part an amount equal to

(*a*) 25% of the specified individual's split income for the year, where that year is the year 2000;

(*b*) 24.5% of the specified individual's split income for the year, where that year is the year 2001; or

(*c*) 24% of the specified individual's split income for the year, where that year is the year 2002 or a subsequent year.

In addition, the proportion referred to for the year in the second paragraph of section 22 or 25, as the case may be, in respect of the individual applies to the amount otherwise determined for the year in respect of the individual under the first paragraph.

"**766.7.** Notwithstanding any other provision of this Act and subject to section 776.97, where an individual is a specified individual in relation to a year, the specified individual's tax otherwise payable for a taxation year under this Part shall not be less than the amount by which the amount added under section 766.6 to the individual's tax otherwise payable for the year exceeds the aggregate of all amounts each of which is an amount that is deductible under section 767 or sections 772.2 to 772.13 in computing the individual's tax payable for the year, and can reasonably be considered to be in respect of an amount included in computing the individual's split income for the year."

(2) Subsection 1 applies from the taxation year 2000.

118. (1) Section 767 of the said Act, amended by section 68 of chapter 39 of the statutes of 2000 and by section 107 of chapter 7 of the statutes of 2001, is again amended by replacing the first paragraph by the following:

"**767.** An individual may deduct from the individual's tax otherwise payable under this Part an amount equal to the amount obtained by multiplying 54.15% by the amount the individual is required to include in computing the individual's income for the year under the second paragraph of section 497."

(2) Subsection 1 applies from the taxation year 1998. However, where the first paragraph of section 767 of the said Act applies to the taxation year 1998, it shall be read with "54.15%" replaced by "44 1/3%", and where it applies to the taxation year 1999, it shall be read with "54.15%" replaced by "49.25%".

119. (1) Section 772.2 of the said Act, amended by section 92 of chapter 39 of the statutes of 2000, is again amended

(1) by striking out, in the definition of "tax otherwise payable", "752.1 to 752.5,";

(2) by replacing the portion of the definition of "non-business-income tax" before paragraph *a* by the following:

""non-business-income tax" paid by a taxpayer for a taxation year to the government of a foreign country or political subdivision of a foreign country means, subject to sections 772.5.1 and 772.5.2, such portion of any income or profits tax paid by the taxpayer for the year to that government as";

(3) by replacing the portion of the definition of "business-income tax" before paragraph *a* by the following:

""business-income tax" paid by a taxpayer for a taxation year in respect of businesses carried on by the taxpayer in a particular foreign country means, subject to sections 772.5.1 and 772.5.2, such portion of any income or profits tax paid by the taxpayer for the year to the government of a foreign country or political subdivision of a foreign country as may reasonably be regarded as tax in respect of the taxpayer's income from any business carried on by the taxpayer in the particular foreign country and that is attributable to an establishment situated in that country, but does not include a tax";

(4) by inserting the following definition in alphabetical order:

""related transactions", in respect of a taxpayer's ownership of a property for a period, means transactions entered into by the taxpayer as part of the arrangement under which property was owned;";

(5) by adding the following definitions in alphabetical order:

""economic profit" of a taxpayer in respect of a property for a period means the part of the taxpayer's profit, from the business in which the property is used, that is attributable to the property in respect of the period or to related transactions, determined as if the only amounts deducted in computing that part of the profit were

(*a*) interest and financing expenses incurred by the taxpayer and attributable to the acquisition or holding of the property in respect of the period or to a related transaction;

(*b*) income or profits taxes payable by the taxpayer for any year to the government of a foreign country or political subdivision of a foreign country, in respect of the property for the period or in respect of a related transaction; or

(*c*) other outlays and expenses that are directly attributable to the acquisition, holding or disposition of the property in respect of the period or to a related transaction;

""tax-exempt income" means income of a taxpayer from a source in a country in respect of which

(*a*) the taxpayer is, because of a tax agreement with that country, entitled to an exemption from all income or profits taxes, imposed in that country, to which the agreement applies; and

(*b*) no income or profits tax to which the tax agreement does not apply is imposed in any country other than Canada;".

(2) Paragraphs 1 to 4 of subsection 1 and paragraph 5 of subsection 1, where it enacts the definition of "economic profit", apply from the taxation year 1998.

(3) Paragraph 5 of subsection 1, where it enacts the definition of "tax-exempt income", applies to taxation years that begin after 24 February 1998.

120. (1) The said Act is amended by inserting, after section 772.5, the following sections:

"**772.5.1.** If a taxpayer acquires a property, other than a capital property, at any time after 23 February 1998 and it is reasonable to expect at that time that the taxpayer will not realize an economic profit in respect of the property for the period that begins at that time and ends when the taxpayer next disposes of the property, the amount of all income or profits taxes in respect of the property for the period, and in respect of related transactions, paid by the taxpayer for any year to the government of a foreign country or political subdivision of a foreign country, is not included in computing the taxpayer's business-income tax or non-business-income tax for any taxation year.

"**772.5.2.** If at any particular time a taxpayer disposes of a property that is a share or debt obligation and the period that began at the time the taxpayer last acquired the property and ended at the particular time is one year or less, the amount included in business-income tax or non-business-income tax paid by the taxpayer for a particular taxation year on account of all taxes that meet the following conditions, shall, subject to section 772.5.3, not exceed the amount determined by the formula provided for in the second paragraph:

(*a*) the taxes are paid by the taxpayer in respect of dividends or interest in respect of the period that are included in computing the taxpayer's income from the property for any taxation year;

(*b*) the taxes are otherwise included in business-income tax or non-business-income tax for any taxation year; and

(*c*) the taxes are similar to the tax levied under Part XIII of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

The formula to which the first paragraph refers is the following:

$A \times (B - C) \times D/E$.

In the formula provided for in the second paragraph,

(*a*) A is the prescribed rate;

(*b*) B is the aggregate of

i. the taxpayer's proceeds from the disposition of the property at the particular time, and

ii. the amount of all dividends or interest from the property in respect of the period included in computing the taxpayer's income for any taxation year;

(*c*) C is the aggregate of the cost at which the taxpayer last acquired the property and any outlays or expenses made or incurred by the taxpayer for the purpose of disposing of the property at the particular time;

(*d*) D is the amount of the taxes referred to in the first paragraph that would otherwise be included in computing the taxpayer's business-income tax or non-business-income tax for the particular year; and

(*e*) E is the total amount of the taxes referred to in the first paragraph that would otherwise be included in computing the taxpayer's business-income tax or non-business-income tax for all taxation years.

"**772.5.3.** Section 772.5.2 does not apply to a property of a taxpayer

(*a*) that is a capital property;

(*b*) that is a debt obligation issued to the taxpayer that has a term of one year or less and that is held by no one other than the taxpayer at any time;

(*c*) that was last acquired by the taxpayer before 24 February 1998; or

(*d*) in respect of which any tax described in the first paragraph of section 772.5.2 is, because of section 772.5.1, not included in computing the taxpayer's business-income tax or non-business-income tax.

"**772.5.4.** For the purposes of sections 772.5.1 and 772.5.2 and the definition of "economic profit" in section 772.2,

(*a*) sections 281 to 283, 428 to 451, 785.1 and 785.2, paragraph *f* of section 785.5, sections 832.1 and 851.22.15, paragraph *b* of section 851.22.23 and section 999.1 do not apply to deem a disposition or acquisition of property to have been made;

(*b*) the following dispositions are deemed not to be dispositions:

i. a disposition, to which section 301.3 applies, of a capital property in exchange for a new obligation,

ii. a disposition, to which sections 541 to 543 apply, of shares in exchange for new shares, or

iii. a disposition, to which sections 551 to 553.1, 554 and 555 apply, of shares in exchange for new shares; and

(*c*) the capital property and the new obligation, or the shares and the new shares, as the case may be, to which paragraph *b* refers, are deemed to be the same property.

"**772.5.5.** For the purposes of this chapter, if any income from a source in a particular country would be tax-exempt income but for the fact that a portion of the income is subject to an income or profits tax imposed by the government of a foreign country or political subdivision of a foreign country, the portion of the income is deemed to be income from a separate source in the particular country."

(2) Subsection 1, where it enacts sections 772.5.1 to 772.5.4 of the said Act, applies from the taxation year 1998 and, where it enacts section 772.5.5 of the said Act, applies to taxation years that begin after 24 February 1998.

121. (1) Section 772.6 of the said Act is amended by replacing, in paragraph *b*, "not taken into account," by "not taken into account and the rate of 30% referred to in A of the formula in subsection 4.2 of that section 126 were replaced by a rate of 40%,".

(2) Subsection 1 applies from the taxation year 1998.

122. (1) Section 772.7 of the said Act, amended by section 264 of chapter 39 of the statutes of 2000, is again amended by replacing subparagraph *a* of the first paragraph by the following :

"(*a*) the amount by which the total of the individual's incomes for the year, or if the individual's taxable income is computed in the manner prescribed in section 23, for any period referred to in respect of the individual for the year in subparagraph *a* of the second paragraph of that section, exceeds the total of the individual's losses, from sources situated in a foreign country, computed

i. on the assumption that no businesses were carried on by the individual in the foreign country through an establishment situated in that country and no amount was deducted under section 584 in computing the individual's income for the year,

ii. without taking into account any portion of income that is deductible under paragraph *a* of section 725 or any of sections 726.26, 737.14, 737.16, 737.18.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9 and 726.20.2, by the individual in computing the individual's taxable income for the year, and

iii. without taking into account any income or loss from a source situated in the foreign country, if any income of the individual from the source would be tax-exempt income ; is of".

(2) Subsection 1 applies to taxation years that begin after 24 February 1998. However, if subparagraph *a* of the first paragraph of section 772.7 of the said Act applies to such a taxation year that ends before 1 January 1999, it shall be read with "737.18.10," struck out in subparagraph ii.

123. (1) Section 772.9 of the said Act, amended by section 93 of chapter 39 of the statutes of 2000, is again amended by replacing subparagraph i of paragraph *a* by the following :

"i. the amount by which the total of the individual's incomes for the year, or if the individual's taxable income is computed in the manner prescribed in section 23, for any period referred to in respect of the individual for the year in subparagraph *a* of the second paragraph of that section, exceeds the total of the individual's losses, from businesses carried on by the individual in that country and attributable to an establishment situated therein, computed without taking into account

(1) any portion of income that is deductible under paragraph *a* of section 725 or section 726.26, 737.16 or 737.18.10 by the individual in computing the individual's taxable income for the year, and

(2) any income or loss from a source situated in that country, if any income of the individual from the source would be tax-exempt income ; is of".

(2) Subsection 1 applies to taxation years that begin after 24 February 1998. However, if subparagraph i of paragraph *a* of section 772.9 of the said Act applies to such a taxation year that ends before 1 January 1999, it shall be read with ", 737.16 or 737.18.10" replaced by "or 737.16" in subparagraph 1.

124. (1) Section 776 of the said Act is amended, in the first paragraph,

(1) by replacing, in the portion before subparagraph *a*, ", computed without reference to sections 752.1 to 752.5, an amount equal to," by "an amount equal to";

(2) by replacing, in subparagraph *a*, "75% of" by "the amount obtained by multiplying 75% by";

(3) by replacing, in subparagraph *b*, "50% of" by "the amount obtained by multiplying 50% by".

(2) Subsection 1 applies from the taxation year 1998.

125. (1) Section 776.1.1 of the said Act is amended by striking out, in the portion before paragraph *a*, "computed without reference to sections 752.1 to 752.5,".

(2) Subsection 1 applies from the taxation year 1998.

126. (1) Section 776.1.2 of the said Act is amended by striking out "computed without reference to sections 752.1 to 752.5,".

(2) Subsection 1 applies from the taxation year 1998.

127. (1) Section 776.1.3 of the said Act is replaced by the following:

"**776.1.3.** The amount deductible by an individual for a taxation year under sections 776.1.1 and 776.1.2 shall not exceed $750."

(2) Subsection 1 applies from the taxation year 1998.

128. (1) Section 776.7 of the said Act is amended by replacing, in paragraph *c*, "sections 752.1 to 752.5 and 776.17" by "section 776.17".

(2) Subsection 1 applies from the taxation year 1998.

129. Section 776.9.1 of the said Act is amended

(1) by replacing, in the French text, the words "d'un organisme public au Canada" by the words "d'une administration au Canada", and the words "cet organisme" by the words "cette administration";

(2) by replacing “in the prescribed form required to be filed under that section 776.10” by “in the return prescribed for the purposes of that section 776.10”.

130. Section 776.10 of the said Act is amended by replacing the second paragraph by the following:

“No designation referred to in the first paragraph is valid unless it is made in the prescribed return and the prescribed manner.”

131. Section 776.30.1 of the said Act is replaced by the following:

“**776.30.1.** For the purposes of the definition of “family income” in section 776.29, where an individual was not resident in Canada throughout a taxation year, the individual’s income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if that income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.”

132. (1) Section 776.42 of the said Act, amended by section 173 of chapter 5 of the statutes of 2000, is again amended

(1) by replacing the portion before paragraph *a* by the following:

“**776.42.** Notwithstanding any other provision of this Act and subject to section 766.7, where the amount that is an individual’s tax otherwise payable for a taxation year under Book V is less than the amount by which the minimum tax applicable to the individual for the year, determined under section 776.46, exceeds the aggregate of the amounts referred to in sections 772.2 to 772.13 and 1029.11, the individual’s tax payable under this Part for the year is equal to that excess amount.”;

(2) by striking out paragraphs *a* and *b*.

(2) Subsection 1 applies from the taxation year 1998. However, where section 776.42 of the said Act applies to the taxation years 1998 and 1999, it shall be read without reference to “and subject to section 766.7”.

133. (1) Section 776.43 of the said Act is amended by replacing, in the second paragraph, “if it were computed under Book V and without reference to sections 752.1 to 752.5” by “determined under Book V”.

(2) Subsection 1 applies from the taxation year 1998.

134. Section 776.45 of the said Act is amended by striking out paragraph *b*.

135. (1) Section 776.51 of the said Act is amended by replacing "776.52" by "776.53".

(2) Subsection 1 applies from the taxation year 1998.

136. (1) Section 776.52 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

(3) In addition, where an individual's tax payable under Part I of the said Act for a particular taxation year that began after 31 December 1993 and before 1 January 1998 is greater than the tax that would have been so payable, but for section 776.52 of the said Act, and the individual was resident in Canada throughout, and was not a bankrupt at any time in, the period that began immediately after the end of the particular year and that ended at the end of the year 1997, the individual's minimum tax for the particular year under section 776.46 of the said Act is deemed to be equal to the amount by which

(1) the amount that would be the individual's minimum tax for the particular year determined without reference to this subsection ; exceeds

(2) the part of the individual's additional tax for the particular year determined under section 752.14 of the said Act that can reasonably be considered to be attributable to the application of section 776.52 of the said Act and not deductible in computing the individual's tax payable under Part I of the said Act for any of the taxation years that began after the end of the particular year and before 1 January 1998.

(4) Notwithstanding sections 1010 to 1011 of the said Act, the Minister of Revenue shall make such assessments or reassessments of tax, interest and penalties payable by the individual pursuant to Part I of the said Act as are necessary for any taxation year to give effect to subsection 3. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such assessments and reassessments.

137. (1) Section 776.74 of the said Act is replaced by the following :

"**776.74.** An individual may deduct in computing the taxable income of the individual for the year only the amount that is deductible for the year under any of paragraphs *b* to *c* and *e* of section 725 or section 737.29."

(2) Subsection 1 applies from the taxation year 2000.

138. (1) Section 776.89 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 776.89 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing, in paragraph *f*, "paragraph *b* of subsection 3" by "paragraph *b*".

(2) Subsection 1 has effect from 1 January 1998.

139. (1) The said Act is amended by inserting, after section 776.96, the following section:

"**776.97.** If the individual is a specified individual in respect of a taxation year, section 766.7 shall be read as follows:

"**766.7.** Notwithstanding any other provision of this Act, the individual's tax otherwise payable for a taxation year under this Part shall not be less than the amount added under section 766.6 to the individual's tax otherwise payable for the year.""

(2) Subsection 1 applies from the taxation year 2000.

140. (1) Section 779 of the said Act, replaced by section 185 of chapter 5 of the statutes of 2000 and amended by section 101 of chapter 39 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 779 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing "section 935.4" by "sections 935.4 and 935.15".

(2) Subsection 1 applies from the taxation year 1999.

141. (1) Section 780 of the said Act, amended by section 110 of chapter 7 of the statutes of 2001, is again amended by replacing paragraph *b* by the following:

"(*b*) in computing the taxpayer's tax otherwise payable for any taxation year that ends after that time, no amount shall be deducted under

i. Chapter I.0.2.1 of Title I of Book V in respect of a gift made before the day on which the taxpayer became bankrupt,

ii. section 752.0.18.10 for tuition fees and examination fees paid in respect of a taxation year that ended before that time,

iii. section 752.0.18.15 in respect of interest paid before the day on which the taxpayer became bankrupt, or

iv. section 752.12 in respect of a taxation year that ended before that time."

(2) Subsection 1 applies in respect of bankruptcies that occur after 31 December 1997.

142. (1) Section 782 of the said Act, amended by section 111 of chapter 7 of the statutes of 2001, is again amended

(1) by inserting, after paragraph *b*.1, the following paragraph:

"(*b*.2) in section 752.0.18.15 in respect of interest paid on or after the day on which the individual became bankrupt;";

(2) by striking out, in paragraph *c*, the words "of this Part".

(2) Paragraph 1 of subsection 1 applies in respect of bankruptcies that occur after 31 December 1997.

143. (1) Section 784 of the said Act, amended by section 112 of chapter 7 of the statutes of 2001, is again amended by replacing subparagraph *d* of the first paragraph by the following:

"(*d*) in computing the individual's tax payable for the year, the individual was not entitled

i. to deduct an amount under Chapter I.0.2.1 of Title I of Book V in respect of a gift made before the day on which the individual became bankrupt,

ii. to take into account in computing a deduction under section 752.0.18.10 any tuition fees and examination fees paid in respect of a taxation year preceding the year in respect of which the return is filed,

iii. to deduct an amount under section 752.0.18.15 in respect of interest paid before the day on which the individual became bankrupt, or

iv. to deduct an amount under section 752.12."

(2) Subsection 1 applies in respect of bankruptcies that occur after 31 December 1997.

144. (1) Section 785.1 of the said Act is amended

(1) by replacing the words "dans le cas d'un contribuable qui" by the words "dans le cas où le contribuable", in the French text of the following provisions:

— the portion of paragraph *a* before subparagraph i;

— the portion of paragraph *d* before subparagraph i;

(2) by replacing the portion of paragraph *b* before subparagraph i by the following:

"(*b*) the taxpayer is deemed to have disposed, at the time, in this section referred to as the "time of disposition", that is immediately before the time that is immediately before the particular time, of each property then owned by the taxpayer for proceeds equal to its fair market value at the time of disposition, other than, if the taxpayer is an individual,";

(3) by inserting, after paragraph *c*, the following paragraph:

"(*c*.1) if the taxpayer is a corporation and a particular amount has been added to the paid-up capital in respect of a class of shares of the corporation's capital stock because of paragraph *b* of subsection 2 of section 128.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

i. the corporation is deemed to have paid, immediately before the time of disposition, a dividend on the issued shares of the class equal to the particular amount, and

ii. a dividend is deemed to have been received, immediately before the time of disposition, by each person, other than a person in respect of whom the corporation is a foreign affiliate, who held any of the issued shares of the class equal to the amount obtained by multiplying the amount of the dividend referred to in subparagraph i by such proportion as the number of shares of the class held by the person immediately before the time of disposition is of the number of issued shares of the class outstanding immediately before that time; and".

(2) Subsection 1 applies in respect of corporations that become resident in Canada after 23 February 1998.

145. (1) Section 785.5 of the said Act, amended by section 114 of chapter 7 of the statutes of 2001, is again amended by replacing, in paragraph *k*, "within the meaning assigned by subsection 1 of section 146, subsection 1 of section 146.3" by "within the meaning assigned by subsection 1 of section 146, 146.1 or 146.3".

(2) Subsection 1 has effect from 1 January 1998.

146. Section 788 of the said Act is amended by replacing, in subparagraph *b* of the first paragraph, the words "in prescribed form" by the words "in a form satisfactory to the Minister and".

147. (1) Section 832 of the said Act is amended, in the first paragraph, by replacing the word "dividend" by the words "policy dividend".

(2) Subsection 1 has effect from 16 December 1998.

148. (1) Section 832.1 of the said Act is amended by replacing the third paragraph by the following:

"However, the first and second paragraphs shall be disregarded in applying sections 140, 140.1 and 818, subparagraph i of subparagraph *e* of the first paragraph of section 93 and subparagraph *c* of the second paragraph of that section where it refers to the capital cost of a property."

(2) Subsection 1 has effect from 24 February 1998.

149. (1) The said Act is amended by inserting, after section 832.10, the following:

"**CHAPTER II.2**

"DEMUTUALIZATION OF INSURANCE CORPORATIONS

"**832.11.** In this chapter,

"conversion benefit" means a benefit received in connection with the demutualization of an insurance corporation because of an interest, before the demutualization, of any person in an insurance policy to which the insurance corporation was a party;

"deadline" for a payment in respect of a demutualization of an insurance corporation means the latest of

(*a*) the end of the thirteenth month after the time of the demutualization;

(*b*) where the entire amount of the payment depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation, the end of the day that is 60 days after the day on which the public offering is completed;

(*c*) where the payment is made after the initial deadline for the payment and it is reasonable to conclude that the payment was postponed beyond that initial deadline because there was not sufficient information available 60 days before that initial deadline with regard to the location of a person, the end of the sixth month after such information becomes available; and

(*d*) the end of any other day that is acceptable to the Minister;

"demutualization" means the conversion of an insurance corporation from a mutual company into a corporation that is not a mutual company;

"holding corporation" means a corporation that in connection with the demutualization of an insurance corporation, has issued shares of its capital stock to stakeholders and owns shares of the capital stock of the insurance corporation acquired in connection with the demutualization that entitle it to 90% or more of the votes that could be cast in respect of shares under all circumstances at an annual meeting of

(*a*) shareholders of the insurance corporation; or

(*b*) shareholders of the insurance corporation and holders of insurance policies to which the insurance corporation is a party;

"initial deadline" for a payment is the time that would, if the definition of "deadline" were read without reference to paragraph *c* of that definition, be the deadline for the payment;

"mutual holding corporation" in respect of an insurance corporation, means a mutual company established to hold shares of the capital stock of the insurance corporation, where the only persons entitled to vote at an annual meeting of the mutual company are policyholders of the insurance corporation;

"ownership rights" means

(*a*) in a particular mutual holding corporation, the following rights and interests held by a person in respect of the particular mutual holding corporation because of an interest or former interest of any person in an insurance policy to which an insurance corporation, in respect of which the particular corporation is the mutual holding corporation, has been a party:

i. rights that are similar to rights attached to shares of the capital stock of a corporation, and

ii. all other rights with respect to, and interests in, the particular corporation as a mutual company; and

(*b*) in a mutual insurance corporation, the following rights and interests held by a person in respect of the mutual insurance corporation because of an interest or former interest of any person in an insurance policy to which that corporation was a party:

i. rights that are similar to rights attached to shares of the capital stock of a corporation,

ii. all other rights with respect to, and interests in, the mutual insurance corporation as a mutual company, and

iii. any contingent or absolute right to receive a benefit in connection with the demutualization of the mutual insurance corporation;

"person" includes a partnership;

"share" of the capital stock of a corporation includes a right granted by the corporation to acquire a share of its capital stock;

"specified insurance benefit" means a taxable conversion benefit that is

(*a*) an enhancement of benefits under an insurance policy;

(*b*) an issuance of an insurance policy;

(*c*) an undertaking by an insurance corporation of an obligation to pay a policy dividend; or

(*d*) a reduction in the amount of premiums that would otherwise be payable under an insurance policy;

"stakeholder" means a person who has received or who is entitled to receive a conversion benefit but, in respect of the demutualization of an insurance corporation, does not include a holding corporation in connection with the demutualization or a mutual holding corporation in respect of the insurance corporation;

"taxable conversion benefit" means a conversion benefit received by a stakeholder in connection with the demutualization of an insurance corporation, other than a conversion benefit that is

(*a*) a share of a class of the capital stock of the corporation;

(*b*) a share of a class of the capital stock of a corporation that is or becomes a holding corporation in connection with the demutualization; or

(*c*) an ownership right in a mutual holding corporation in respect of the insurance corporation.

"**832.12.** For the purposes of sections 832.11 to 832.25, the following rules apply:

(*a*) subject to paragraphs *b* to *g*, if in providing a benefit in respect of a demutualization, a corporation becomes obligated, either absolutely or contingently, to make or arrange a payment, the person to whom the undertaking to make or arrange the payment was given is considered to have received a benefit as a consequence of the undertaking of the obligation and not as a consequence of the making of the payment;

(*b*) where, in providing a benefit in respect of a demutualization, a corporation makes a payment, other than a payment, made pursuant to the terms of an insurance policy, that is not a policy dividend, at any time on or before the deadline for the payment,

i. subject to paragraphs *f* and *g*, the recipient of the payment is considered to have received a benefit as a consequence of the making of the payment, and

ii. no benefit is considered to have been received as a consequence of the undertaking of an obligation, that is either contingent or absolute, to make or arrange the payment;

(*c*) no benefit is considered to have been received as a consequence of the undertaking of an absolute or contingent obligation of a corporation to make or arrange a payment, other than a payment, made pursuant to the terms of an insurance policy, that is not a policy dividend, unless it is reasonable to conclude that there is sufficient information with regard to the location of a person to make or arrange the payment;

(*d*) where a corporation's obligation to make or arrange a payment in connection with a demutualization ceases on or before the initial deadline for

the payment and without the payment being made in whole or in part, no benefit is considered to have been received as a consequence of the undertaking of the obligation unless the payment was to be a payment, other than a policy dividend, pursuant to the terms of an insurance policy ;

(*e*) no benefit is considered to have been received as a consequence of the undertaking of an absolute or contingent obligation of a corporation to make or arrange a payment where

i. paragraph *a* would, but for this paragraph, apply with respect to the obligation,

ii. paragraph *d* would, if that paragraph were read without reference to the words "on or before the initial deadline for the payment", apply in respect of the obligation,

iii. it is reasonable to conclude that there was not, before the initial deadline for the payment, sufficient information with regard to the location of a person to make or arrange the payment, and

iv. such information becomes available on a particular day after the initial deadline, and the obligation ceases not more than six months after the particular day ;

(*f*) no benefit is considered to have been received as a consequence of an undertaking of an absolute or contingent obligation of a corporation to make or arrange an annuity payment through the issuance of an annuity contract or a receipt of an annuity payment under the contract so issued where it is reasonable to conclude that the purpose of the undertaking or the making of the annuity payment is to supplement benefits provided under either an annuity contract to which paragraph *a* of section 2.3 and section 965.0.17.2 applied or a group annuity contract that had been issued under, or pursuant to, a registered pension plan that has wound up ;

(*g*) no benefit is considered to have been received as a consequence of

i. an amendment to which section 965.0.17.3 would, but for subparagraph *b* of the first paragraph thereof, apply, or

ii. a substitution to which paragraph *a* of section 965.0.17.4 applies ;

(*h*) the time at which a stakeholder is considered to receive a benefit in connection with the demutualization of an insurance corporation is

i. where the benefit is a payment made at or before the time of the demutualization or is a payment to which paragraph *b* applies, the time at which the payment is made, and

ii. in any other case, the latest of

(1) the time of the demutualization,

(2) where the extent of the benefit or the stakeholder's entitlement to it depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation and the offering is completed within 13 months after the time of the demutualization, the time at which the offering is completed,

(3) where the entire amount of the benefit depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation, the time at which the offering is completed,

(4) where it is reasonable to conclude that the person conferring the benefit does not have sufficient information with regard to the location of the stakeholder before the later of the times determined under subparagraphs 1 to 3, to advise the stakeholder of the benefit, the time at which sufficient information with regard to the location of the stakeholder to so advise the stakeholder was received by that person, and

(5) the end of any other day that is acceptable to the Minister;

(*i*) the time at which an insurance corporation is considered to demutualize is the time at which it first issues a share of its capital stock, other than shares of its capital stock issued by it when it was a mutual company if the corporation did not cease to be a mutual company because of the issuance of those shares; and

(*j*) subject to paragraph *b* of section 832.13, the value of a benefit received by a stakeholder is the fair market value of the benefit at the time the stakeholder receives the benefit.

"**832.13.** For the purposes of sections 832.11 to 832.25, the following rules apply:

(*a*) where benefits under an insurance policy are enhanced, otherwise than by way of an amendment to which section 965.0.17.3 would, but for subparagraph *b* of the first paragraph thereof, apply, in connection with a demutualization, the value of the enhancement is deemed to be a benefit received by the policyholder and not by any other person;

(*b*) where premiums payable under an insurance policy to an insurance corporation are reduced in connection with a demutualization, the policyholder is deemed, as a consequence of the undertaking to reduce the premiums, to have received a benefit equal to the present value at the time of the demutualization of the additional premiums that would have been payable if the premiums had not been reduced in connection with the demutualization;

(*c*) the payment of a policy dividend by an insurance corporation or an undertaking of an obligation by the corporation to pay a policy dividend is

considered to be in connection with the demutualization of the corporation only to the extent that

i. the policy dividend is referred to in the demutualization proposal sent by the corporation to stakeholders,

ii. the obligation to make the payment is contingent on stakeholder approval for the demutualization, and

iii. the payment or undertaking cannot reasonably be considered to have been made or given, as the case may be, to ensure that policyholders are not adversely affected by the demutualization;

(*d*) except for the purposes of paragraphs *c*, *e* and *f*, where part of a policy dividend is a conversion benefit in respect of the demutualization of an insurance corporation and part of it is not, each part of the policy dividend is deemed to be a policy dividend that is separate from the other part;

(*e*) a policy dividend includes an amount that is in lieu of payment of, or in satisfaction of, a policy dividend;

(*f*) the payment of a policy dividend includes the application of the policy dividend to pay a premium under an insurance policy or to repay a policy loan;

(*g*) where the demutualization of an insurance corporation is effected by the amalgamation of the corporation with one or more other corporations to form one corporate entity, that entity is deemed to be the same corporation as, and a continuation of, the insurance corporation; and

(*h*) an insurance corporation shall be considered to have become a party to an insurance policy at the time that the insurance corporation becomes liable in respect of obligations of an insurer under the policy.

"**832.14.** Where a particular insurance corporation demutualizes, the following rules apply:

(*a*) each of the income, loss, capital gain and capital loss of a taxpayer, from the disposition, alteration or dilution of the taxpayer's ownership rights in the particular corporation as a result of the demutualization, is deemed to be nil;

(*b*) no amount paid or payable to a stakeholder in connection with the disposition, alteration or dilution of the stakeholder's ownership rights in the particular corporation is an intangible capital amount;

(*c*) no election may be made under section 518 or 529 in respect of ownership rights in the particular corporation;

(*d*) where the consideration given by a person for a share of the capital stock of the particular corporation or a holding corporation in connection with the demutualization, or for particular ownership rights in a mutual holding corporation in respect of the particular corporation, includes the transfer, surrender, alteration or dilution of ownership rights in the particular corporation, the cost of the share, or the particular ownership rights, to the person is deemed to be nil;

(*e*) where a holding corporation in connection with the demutualization acquires, in connection with the demutualization, a share of the capital stock of the particular corporation from the particular corporation and issues a share of its own capital stock to a stakeholder as consideration for the share of the capital stock of the particular corporation, the cost to the holding corporation of the share of the capital stock of the particular corporation is deemed to be nil;

(*f*) where at any time a stakeholder receives a taxable conversion benefit and section 832.21 does not apply to the benefit,

i. the corporation that conferred the benefit is deemed to have paid a dividend at that time on shares of its capital stock equal to the value of the benefit, and

ii. subject to section 832.23, the benefit received by the stakeholder is deemed to be a dividend received by the stakeholder at that time;

(*g*) for the purposes of this Part, where a dividend is deemed by paragraph *f* or by subparagraph *c* of the second paragraph of section 832.23 to have been paid by a corporation not resident in Canada, that corporation is deemed in respect of the payment of the dividend to be a corporation resident in Canada that is a taxable Canadian corporation unless any amount is deducted under section 126 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(*h*) for the purposes of sections 436, 440, 444, 450, 450.6, 653, 785.1 and 785.2, the fair market value of rights to benefits that are to be received in connection with the demutualization is, before the time of the receipt, deemed to be nil; and

(*i*) where a person acquires an annuity contract in respect of which, because of the application of paragraph *f* of section 832.12, no benefit is considered to have been received for the purposes of sections 832.11 to 832.25, the cost of the annuity contract to the person is deemed to be nil and sections 92.11 to 92.19 do not apply to the annuity contract.

"**832.15.** For the purposes of sections 436, 440, 444, 450, 450.6, 653, 785.1 and 785.2, where an insurance corporation makes, at any time, a public announcement that it intends to seek approval for its demutualization, the fair market value of ownership rights in the corporation is deemed to be nil

throughout the period that begins at that time and ends either at the time of the demutualization or, in the event that the corporation makes at any subsequent time a public announcement that it no longer intends to demutualize, at the subsequent time.

"**832.16.** Where the payment of a policy dividend by an insurance corporation is a taxable conversion benefit, the following rules apply:

(*a*) for the purposes of this Part, other than sections 832.11 to 832.25, the policy dividend is deemed not to be a policy dividend; and

(*b*) no amount in respect of the policy dividend may be included, either explicitly or implicitly, in the calculation of an amount deductible by the insurer for any taxation year under the second paragraph of section 152 or sections 840 and 841.

"**832.17.** Where, in connection with the demutualization of an insurance corporation, a person would, if section 832.12 were read without reference to paragraphs *f* and *g* thereof and paragraph *a* of section 832.13 were read without reference to the application of section 965.0.17.3, receive a particular benefit that is a specified insurance benefit, the following rules apply:

(*a*) the insurance corporation that is obligated to pay benefits under the policy to which the particular benefit relates is deemed to have received a premium at the time of the demutualization in respect of that policy equal to the value of the particular benefit;

(*b*) for the purposes of paragraph *a*, to the extent that the obligations of a particular insurance corporation under the policy were assumed by another insurance corporation before the time of the demutualization, the particular corporation is deemed not to be obligated to pay benefits under the policy; and

(*c*) subject to subparagraph *a* of the second paragraph of section 832.22, where the person receives the particular benefit, the person is deemed to have paid, at the time of the demutualization, a premium in respect of the policy to which the benefit relates equal to the value of the particular benefit.

"**832.18.** Where, in connection with the demutualization of an insurance corporation, a stakeholder receives a taxable conversion benefit, other than a specified insurance benefit, the stakeholder is deemed to have acquired the benefit at a cost equal to the value of the benefit.

"**832.19.** Sections 111 and 112 do not apply to a conversion benefit.

"**832.20.** Subject to section 832.21, for the purposes of the provisions of this Act, other than paragraph *c* of section 832.17, that relate to registered retirement savings plans, registered retirement income funds, retirement compensation arrangements, deferred profit sharing plans and superannuation

or pension funds or plans, the receipt of a conversion benefit shall be considered to be neither a contribution to, nor a distribution from, such a plan, fund or arrangement.

"**832.21.** A conversion benefit received because of an interest in a life insurance policy held by a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or superannuation or pension fund or plan is deemed to be received under the plan or fund, as the case may be, if it is received by any person other than the trust.

"**832.22.** The rules set out in the second paragraph apply where

(*a*) a stakeholder receives a conversion benefit because of the stakeholder's interest in a group insurance policy under which individuals have been insured in the course of or because of their employment;

(*b*) at all times before the payment of a premium described in subparagraph *c*, the full cost of a particular insurance coverage under the group insurance policy referred to in subparagraph *a* was borne by the individuals who were insured under the particular insurance coverage;

(*c*) the stakeholder referred to in subparagraph *a* pays a premium under the group insurance policy referred to in subparagraph *a* in respect of the particular insurance coverage referred to in subparagraph *b* or under another group insurance policy in respect of coverage that has replaced the particular insurance coverage; and

(*d*) either the premium referred to in subparagraph *c* is deemed by paragraph *c* of section 832.17 to have been paid, or it is reasonable to conclude that the purpose of the premium is to apply, for the benefit of the individuals who are insured under the particular insurance coverage referred to in subparagraph *b* or the coverage that has replaced the particular insurance coverage, all or part of the value of the portion of the conversion benefit referred to in subparagraph *a* that can reasonably be considered to be in respect of the particular insurance coverage.

The rules to which the first paragraph refers are the following:

(*a*) for the purposes of section 43, the premium is deemed to be an amount paid by the individuals who are insured under the particular insurance coverage or the coverage that has replaced the particular insurance coverage, as the case may be, and not to be an amount paid by the stakeholder; and

(*b*) no amount may be deducted in respect of the premium in computing the stakeholder's income.

"**832.23.** The rules set out in the second paragraph apply where

(*a*) a stakeholder receives a conversion benefit, in this section referred to as the "relevant conversion benefit", because of the interest of any person in an insurance policy;

(*b*) the stakeholder referred to in subparagraph *a* makes a payment of an amount, otherwise than by way of a transfer of a share that was received by the stakeholder as all or part of the relevant conversion benefit and that was not so received as a taxable conversion benefit, to a particular individual

i. who has received benefits under the insurance policy referred to in subparagraph *a*,

ii. who has, or had at any time, an absolute or contingent right to receive benefits under the insurance policy,

iii. for whose benefit insurance coverage was provided under the insurance policy, or

iv. who received the amount because an individual satisfied the condition in subparagraph i, ii or iii;

(*c*) it is reasonable to conclude that the purpose of the payment referred to in subparagraph *b* is to distribute an amount in respect of the relevant conversion benefit to the particular individual referred to in that subparagraph;

(*d*) either the main purpose of the insurance policy referred to in subparagraph *a* was to provide retirement benefits or insurance coverage to individuals in respect of their employment with an employer, or all or part of the cost of insurance coverage under the insurance policy had been borne by individuals other than the stakeholder referred to in subparagraph *a*;

(*e*) section 832.21 does not apply to the relevant conversion benefit; and

(*f*) one of the following subparagraphs applies, namely,

i. the particular individual referred to in subparagraph *b* is resident in Canada at the time of the payment referred to in that subparagraph, the stakeholder referred to in subparagraph *a* is a person the taxable income of which is exempt from tax under this Part and the payment would, if this chapter were read without reference to this section, be included in computing the income of the particular individual,

ii. the payment referred to in subparagraph *b* is received before 7 December 1999, and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the relevant conversion benefit, or a later day acceptable to the Minister, that this section applies in respect of the payment,

iii. the payment referred to in subparagraph *b* is received after 6 December 1999 and the payment would, if this chapter were read without reference to this section, be included in computing the income of the particular individual referred to in that subparagraph and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the relevant conversion benefit, or a later day acceptable to the Minister, that this section applies in respect of the payment, or

iv. the payment referred to in subparagraph *b* is received after 6 December 1999 and the payment would, if this chapter were read without reference to this section, not be included in computing the income of the particular individual referred to in that subparagraph.

The rules to which the first paragraph refers are the following :

(*a*) subject to subparagraph *f*, no amount is, because of the making of the payment, deductible in computing the stakeholder's income ;

(*b*) except for the purposes of this section and without affecting the consequences to the particular individual of any transaction or event that occurs after the time that the payment was made, the payment is deemed not to have been received by, or made payable to, the particular individual ;

(*c*) the corporation that conferred the relevant conversion benefit is deemed to have paid to the particular individual at the time the payment was made, and the particular individual is deemed to have received at that time, a dividend on shares of the capital stock of the corporation equal to the amount of the payment ;

(*d*) all obligations that would, but for this section, be imposed by this Part and the regulations on the corporation referred to in subparagraph *c* because of the payment of the dividend referred to in that subparagraph apply to the stakeholder as if the stakeholder were the corporation, and do not apply to the corporation ;

(*e*) where the relevant conversion benefit is a taxable conversion benefit, except for the purposes of this section and the purpose of determining the obligations imposed by this Part and the regulations on the corporation because of the conferral of the relevant conversion benefit, the stakeholder is deemed, to the extent of the fair market value of the payment, not to have received the relevant conversion benefit ; and

(*f*) where the relevant conversion benefit was a share received by the stakeholder, otherwise than as a taxable conversion benefit, the following rules apply :

i. where the share is, at the time of the payment, capital property held by the stakeholder, the amount of the payment shall, after that time, be added in computing the adjusted cost base to the stakeholder of the share,

ii. where subparagraph i does not apply and the share was capital property disposed of by the stakeholder before that time, the amount of the payment is deemed to be a capital loss of the stakeholder from the disposition of a property for the taxation year of the stakeholder in which the payment is made, and

iii. in any other case, subparagraph *a* shall not apply to the payment.

"**832.24.** The rules set out in the second paragraph apply where

(*a*) because of the interest of any person in an insurance policy, a stakeholder receives a conversion benefit, other than a taxable conversion benefit, that consists of shares of the capital stock of a corporation;

(*b*) the stakeholder referred to in subparagraph *a* transfers some or all of the shares referred to in that subparagraph at any time to a particular individual

i. who has received benefits under the insurance policy referred to in subparagraph *a*,

ii. who has, or had at any time, an absolute or contingent right to receive benefits under the insurance policy,

iii. for whose benefit insurance coverage was provided under the insurance policy, or

iv. who received the shares because an individual satisfied the condition in subparagraph i, ii or iii;

(*c*) it is reasonable to conclude that the purpose of the transfer referred to in subparagraph *b* is to distribute all or any portion of the conversion benefit referred to in subparagraph *a* to the particular individual referred to in subparagraph *b*;

(*d*) either the main purpose of the insurance policy referred to in subparagraph *a* was to provide retirement benefits or insurance coverage to individuals in respect of their employment with an employer, or all or part of the cost of insurance coverage under the insurance policy had been borne by individuals other than the stakeholder referred to in subparagraph *a*;

(*e*) section 832.21 does not apply to the conversion benefit referred to in subparagraph *a*; and

(*f*) one of the following subparagraphs applies, namely,

i. the particular individual referred to in subparagraph *b* is resident in Canada at the time of the transfer referred to in that subparagraph, the stakeholder referred to in subparagraph *a* is a person the taxable income of which is exempt from tax under this Part and the amount of the transfer would,

if this chapter were read without reference to this section, be included in computing the income of the particular individual,

ii. the transfer referred to in subparagraph *b* is made before 7 December 1999 and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the conversion benefit referred to in subparagraph *a*, or a later day acceptable to the Minister, that this section applies in respect of the transfer,

iii. the transfer referred to in subparagraph *b* is made after 6 December 1999, the amount of the transfer would, if this chapter were read without reference to this section, be included in computing the income of the particular individual referred to in that subparagraph and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the conversion benefit referred to in subparagraph *a*, or a later day acceptable to the Minister, that this section applies in respect of the transfer, or

iv. the transfer referred to in subparagraph *b* is made after 6 December 1999 and the amount of the transfer would, if this chapter were read without reference to this section, not be included in computing the income of the particular individual referred to in that subparagraph.

The rules to which the first paragraph refers are the following:

(*a*) no amount is, because of the transfer, deductible in computing the stakeholder's income;

(*b*) except for the purposes of this section and without affecting the consequences to the particular individual of any transaction or event that occurs after the time that the transfer was made, the transfer is deemed not to have been made to the particular individual nor to represent an amount payable to the particular individual; and

(*c*) the cost of the shares to the particular individual is deemed to be nil.

"**832.25.** For the purposes of sections 6.2, 21.2 to 21.3.1, 83.0.3, 93.3.1, 93.4, 106.4, 158.1 to 158.14, 175.9, 222 to 230.0.0.2, 237 to 238.1, 308.0.1 to 308.6, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, sections 564.2 to 564.4.2 and 727 to 737, paragraph *f* of section 772.13 and section 776.1.5.6, control of an insurance corporation and each corporation controlled by it is deemed not to be acquired solely because of the acquisition of shares of the capital stock of the insurance corporation, in connection with the demutualization of the insurance corporation, by a particular corporation that at a particular time becomes a holding corporation in connection with the demutualization where, immediately after the particular time,

(*a*) the particular corporation is not controlled by any person or group of persons; and

(*b*) 95% of the fair market value of all the assets of the particular corporation is less than the aggregate of

i. the amount of the particular corporation's money,

ii. the amount of a deposit, with a financial institution, of such money standing to the credit of the particular corporation,

iii. the fair market value of a bond, debenture, note or similar obligation that is owned by the particular corporation that had, at the time of its acquisition, a maturity date of not more than 24 months after that time, or

iv. the fair market value of a share of the capital stock of the insurance corporation held by the particular corporation.

"**832.26.** Where at any time a mutual holding corporation in respect of an insurance corporation distributes property to a policyholder of the insurance corporation, the mutual holding corporation is deemed to have paid, and the policyholder is deemed to have received from the mutual holding corporation, at that time, a dividend on shares of the capital stock of the mutual holding corporation, equal to the fair market value of the property."

(2) Subsection 1 applies in respect of transactions that occur after 15 December 1998.

(3) For the purposes of sections 832.23 and 832.24 of the said Act, an election is deemed to have been filed on a timely basis if it is filed before the end of the sixth month following the month that includes (*insert the date of assent to this Act*).

150. (1) The said Act is amended by inserting, after section 833, the following sections:

"**833.1.** A corporation resident in Canada that is a holding corporation, as defined in section 832.11, because of its acquisition of shares in connection with the demutualization, as defined in that section, of a life insurance corporation resident in Canada is deemed to be a public corporation if it meets the other requirements set out in subsections 3 and 4 of section 141 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

"**833.2.** For the purposes of section 1095, to the extent that that section refers to paragraph *c* of section 1094, a share of the capital stock of a corporation is deemed to be listed at any time on a Canadian stock exchange or a foreign stock exchange where

(*a*) the corporation is

i. a life insurance corporation referred to in subparagraph i of paragraph *a* of subsection 5 of section 141 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), or

ii. a holding corporation, as defined in section 832.11, that is deemed by section 833.1 to be a public corporation at that time;

(*b*) no share of the capital stock of the corporation is listed on any stock exchange at that time; and

(*c*) that time is not later than six months after the time of the demutualization, as defined by section 832.11, of

i. the corporation, where the corporation is a life insurance corporation, and

ii. in any other case, the life insurance corporation in respect of which the corporation is a holding corporation."

(2) Subsection 1 has effect from 16 December 1998.

151. Section 851.20 of the said Act is amended by replacing, in subsection 1, the words "in prescribed manner and form" by the words "in prescribed form and prescribed manner".

152. (1) Section 851.22.1 of the said Act, amended by section 117 of chapter 7 of the statutes of 2001, is again amended by replacing subparagraph i of paragraph *a* of the definition of "financial institution" in the first paragraph by the following:

"i. a corporation referred to in any of paragraphs *a* to *e*.1 of the definition of "restricted financial institution" in section 1,".

(2) Subsection 1 applies to taxation years that begin after 31 December 1998.

153. (1) Section 851.22.23 of the said Act is amended by replacing subparagraph i of paragraph *a* by the following:

"i. except for the purposes of section 1120.0.1, the taxation year of the taxpayer that would otherwise have included the particular time is deemed to have ended immediately before that time and a new taxation year of the taxpayer is deemed to have begun at the particular time, and".

(2) Subsection 1 has effect from 1 January 1998.

154. Section 862 of the said Act is amended by replacing, in the first paragraph, the words "in prescribed manner and prescribed form" by the words "in prescribed form and prescribed manner".

155. (1) Section 890.15 of the said Act, enacted by section 193 of chapter 5 of the statutes of 2000, is amended

(1) by inserting, after paragraph *c* of the definition of "trust", the following paragraph:

"(*c*.1) the repayment of amounts under Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11);";

(2) by replacing the definition of "accumulated income payment" by the following:

""accumulated income payment" under an education savings plan means any amount paid out of the plan, other than a payment described in any of paragraphs *a* and *c* to *e* of the definition of "trust", to the extent that the amount so paid exceeds the fair market value of any consideration given to the plan for the payment of the amount;";

(3) by inserting the following definition in alphabetical order:

""qualified investment" for a trust governed by a registered education savings plan has the meaning assigned by subsection 1 of section 146.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);";

(4) by striking out, in the definition of "registered education savings plan", "(Revised Statutes of Canada, 1985, chapter 1, 5th Supplement)".

(2) Subsection 1 has effect from 1 January 1998.

156. (1) The said Act is amended by inserting, after section 890.15, enacted by section 193 of chapter 5 of the statutes of 2000, the following section:

"**890.15.1.** In this Title, a contribution to an education savings plan does not include an amount paid into the plan by the Minister of Human Resources Development of Canada under Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11)."

(2) Subsection 1 has effect from 1 January 1998.

157. (1) Section 895 of the said Act, amended by section 197 of chapter 5 of the statutes of 2000, is again amended

(1) by replacing, in the French text of the portion before paragraph *a*, the words "sur le" by the words "au moyen du";

(2) by replacing the portion of paragraph *c*.1 before subparagraph i by the following:

"(*c*.1) subject to section 895.0.1, the plan does not allow accumulated income payments under the plan, or the plan allows an accumulated income payment at a particular time under the plan only if";

(3) by replacing paragraph *f*.1 by the following:

"(*f*.1) the plan provides for the payment of educational assistance payments at any time after 31 December 1996 to or on behalf of an individual only if

i. the individual is not at that time a prescribed tax-exempt person,

ii. the individual is at that time

(1) enrolled in a prescribed educational program as a full-time student at a prescribed post-secondary educational institution, or

(2) where the individual has at that time a mental or physical impairment the effects of which on the individual have been certified, by a person described in paragraph *b* of section 752.0.14 in relation to the individual's impairment, to be such that the individual cannot reasonably be expected to be enrolled as a full-time student, enrolled in a prescribed educational program as a student at a prescribed post-secondary educational institution, and

iii. the individual has satisfied the conditions set out in subparagraphs i and ii throughout at least 13 consecutive weeks in the 12-month period that ends at that time, or the total of the payment and all other educational assistance payments made under a registered educational savings plan of the promoter to or on behalf of the individual in the 12-month period that ends at that time does not exceed $5,000 or such greater amount as the Minister of Human Resources Development of Canada approves in writing with respect to the individual;";

(4) by replacing subparagraphs 1 and 2 of subparagraph ii of paragraph *i* by the following:

"(1) the beneficiary had not attained 21 years of age before the time of the contribution,

"(2) the contribution is made by way of transfer from another plan that is a registered education savings plan that allows more than one beneficiary at any one time, and";

(5) by striking out subparagraph 3 of subparagraph ii of paragraph *i*;

(6) by adding, after subparagraph ii of paragraph *i*, the following subparagraph:

"iii. an individual is permitted to become a beneficiary under the plan at any particular time only if

(1) the individual had not attained 21 years of age before the particular time, or

(2) the individual was, immediately before the particular time, a beneficiary under another registered education savings plan that allows more than one beneficiary at any one time;";

(7) by adding, after paragraph *l*, the following paragraph:

"(*m*) the Minister has no reasonable basis to believe that the plan will become revocable."

(2) Paragraphs 2 and 7 of subsection 1 have effect from 1 January 1998.

(3) Paragraph 3 of subsection 1, where it enacts the portion of paragraph *f*.1 of section 895 of the said Act before subparagraph iii, applies in respect of plans entered into after 20 February 1990. However, where paragraph *f*.1 of section 895 of the said Act applies

(1) before 1 January 1998 in respect of plans entered into before that date, it shall be read as follows:

"(*f*.1) the plan provides for payment of financial assistance referred to in section 893 at any time after 31 December 1996 to or on behalf of a beneficiary only if

i. the beneficiary is not at that time a prescribed tax-exempt person, and

ii. the beneficiary is at that time

(1) enrolled in a prescribed educational program as a full-time student at a prescribed post-secondary educational institution, or

(2) where the beneficiary has at that time a mental or physical impairment the effects of which on the beneficiary have been certified, by a person described in paragraph *b* of section 752.0.14 in relation to the beneficiary's impairment, to be such that the beneficiary cannot reasonably be expected to be enrolled as a full-time student, enrolled in a prescribed educational program as a student at a prescribed post-secondary educational institution;"; and

(2) after 31 December 1997 in respect of plans entered into before 1 January 1998, it shall be read with the words "an individual" and "the individual", wherever they appear, replaced by the words "a beneficiary" and "the beneficiary".

(4) Paragraph 3 of subsection 1, where it enacts subparagraph iii of paragraph *f*.1 of section 895 of the said Act, and paragraphs 4 to 6 of that subsection 1 apply in respect of plans entered into after 31 December 1998.

158. (1) The said Act is amended by inserting, after section 895, the following section:

"**895.0.1.** The Minister may, on written application of the promoter of a registered education savings plan, waive the application of the conditions in subparagraphs v and vi of paragraph *c*.1 of section 895 in respect of the plan where a beneficiary under the plan suffers from a severe and prolonged mental impairment that prevents, or can reasonably be expected to prevent, the beneficiary from enrolling in a prescribed educational program at a prescribed post-secondary educational institution."

(2) Subsection 1 has effect from 1 January 1998.

159. (1) Section 898.1 of the said Act, enacted by section 200 of chapter 5 of the statutes of 2000, is replaced by the following:

"**898.1.** Where on a particular day a registered education savings plan is revocable or ceases to comply with any provision of the plan or with the conditions set out in section 895 for the plan's registration or a person fails to comply with a condition or obligation imposed under Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11) that applies in respect of a registered education savings plan, the Minister may send written notice to the promoter of the plan that the Minister proposes to revoke the registration of the plan as of the day specified in the notice, which day shall not be earlier than the particular day."

(2) Subsection 1 has effect from 1 January 1998.

160. (1) The said Act is amended by inserting, after section 898.1, enacted by section 200 of chapter 5 of the statutes of 2000, the following section:

"**898.1.1.** For the purposes of paragraph *m* of section 895 and section 898.1, a registered education savings plan is revocable at any time after 27 October 1998 at which

(*a*) a trust governed by the plan acquires property that is not a qualified investment for the trust;

(*b*) property held by a trust governed by the plan ceases to be a qualified investment for the trust and the property is not disposed of by the trust within 60 days after that time;

(*c*) a trust governed by the plan begins carrying on a business; or

(*d*) a trustee that holds property in connection with the plan borrows money for the purposes of the plan, except where

i. the money is borrowed for a term not exceeding 90 days,

ii. the money is not borrowed as part of a series of loans or other transactions and repayments, and

iii. none of the property of the trust is used as security for the borrowed money."

(2) Subsection 1 has effect from 1 January 1998.

161. Section 905.1 of the said Act, amended by section 209 of chapter 5 of the statutes of 2000, is again amended, in the French text, by replacing paragraph *a* by the following :

"*a*) « prestation » comprend tout montant provenant d'un régime d'épargne-retraite ou versé en vertu d'un tel régime, que ce soit conformément aux modalités de ce régime ou à la suite de la modification ou de l'expiration du régime, à l'exclusion des montants suivants :

i. la partie de ce montant reçue par une personne autre que le rentier, que l'on peut raisonnablement considérer comme faisant partie du montant inclus dans le calcul du revenu du rentier en vertu de l'article 915.2 ;

ii. un montant que la personne avec laquelle le rentier a conclu le contrat ou l'arrangement visé dans la définition de l'expression « régime d'épargne-retraite » prévue au paragraphe 1 de l'article 146 de la Loi de l'impôt sur le revenu (Lois révisées du Canada (1985), chapitre 1, 5e supplément) a reçu à titre de prime en vertu du régime ;

iii. la totalité ou une partie d'un montant reçu à l'égard du revenu de la fiducie régie par le régime pour une année d'imposition visée à l'article 921.1 ;

iv. un montant libéré d'impôt décrit au sous-paragraphe ii du paragraphe *c*.1 qui se rapporte à des intérêts ou à un autre montant inclus dans le calcul du revenu autrement qu'en raison de l'une des dispositions du présent titre ;".

162. (1) Section 908 of the said Act, amended by section 210 of chapter 5 of the statutes of 2000, is again amended by striking out, in subparagraph *b* of the first paragraph, "if the annuitant had no spouse at the time of the annuitant's death,".

(2) Subsection 1 applies in respect of deaths that occur after 31 December 1995. However, where the death of an individual occurred before 1 January 1999, subsection 1 does not apply in respect of amounts paid at a particular time out of a registered retirement savings plan or retirement income fund unless the legal representative of the deceased individual and the individual in whose income an amount would be included as a result of the election or would be so included if Part I of the said Act applied, jointly elect to have subsection 1 apply by filing with the Minister of Revenue the document evidencing that election before the end of the sixth month following the month that includes (*insert the date of assent to this Act*) or before any later date that is acceptable to the Minister.

(3) Where an election under subsection 2 is made, the Minister of Revenue shall, for the purposes of Part I of the said Act and notwithstanding sections 1010 to 1011 thereof, make such assessments of tax, interest and penalties as are necessary for any taxation year to give effect to that election and sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such assessments.

163. Section 915.4 of the said Act is amended, in the French text, by replacing the second paragraph by the following:

"Le présent article ne s'applique que si le représentant légal et le conjoint du rentier présentent au ministre un choix à cet effet au moyen du formulaire prescrit."

164. (1) The said Act is amended by inserting, after section 922, the following section:

"**922.1.** An individual may deduct in computing the individual's income for a taxation year, the amount by which the amount that the individual designates for the year under subsection 3 of section 146.01 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) exceeds the amount that the individual designates for the year under section 935.3, to the extent that the excess may reasonably be considered to be paid as reimbursement of an amount that is an eligible amount as defined in subsection 1 of that section 146.01 and that was included, because of the application of section 929, in computing the individual's income for the taxation year in which it was received by the individual.

No individual may benefit from the deduction provided for in the first paragraph unless the individual encloses, with the fiscal return the individual is required to file under section 1000 for the year, a copy of the document the individual is required to file with the Minister of Revenue of Canada under subsection 3 of section 146.01 of the Income Tax Act of Canada."

(2) Subsection 1 applies from the taxation year 1999.

165. (1) Section 929 of the said Act is replaced by the following:

"**929.** An individual shall include in computing the individual's income for a taxation year an amount received by the individual in the year as a benefit out of or under a registered retirement savings plan, other than an amount included under section 914 in computing the individual's income and an excluded withdrawal, as defined in the first paragraph of section 935.1 or 935.12, in respect of the individual."

(2) Subsection 1 applies from the taxation year 1999.

166. (1) Section 929.1 of the said Act is replaced by the following:

"**929.1.** Notwithstanding sections 1010 to 1011, if a designated withdrawal, as defined in the first paragraph of section 935.1, or an amount referred to in paragraph *a* of the definition of "eligible amount" in the first paragraph of section 935.12 is received by an individual in a taxation year and, at any time after that year, it is determined that the amount is not an excluded withdrawal, as defined in the first paragraph of section 935.1 or 935.12, such assessment, reassessment or additional assessment of tax, interest and penalties shall be made by the Minister as is necessary to give effect to the determination."

(2) Subsection 1 applies from the taxation year 1999.

167. (1) Section 930 of the said Act is replaced by the following:

"**930.** Where an amount paid out of or under a registered retirement savings plan is received by the legal representative of a deceased individual who was an annuitant under the plan and a portion of that amount would have been a refund of premiums had it been paid under the plan to a beneficiary of the annuitant's succession, that portion of the amount is, to the extent that it is so designated jointly by the legal representative and the beneficiary in the prescribed form filed with the Minister, deemed to be received by the beneficiary and not by the legal representative, at the time it is so received by the legal representative, as a benefit that is a refund of premiums."

(2) Subsection 1 applies from the taxation year 1999.

168. (1) Section 935.1 of the said Act, amended by section 212 of chapter 5 of the statutes of 2000, is again amended

(1) by replacing the definition of "replacement property" in the first paragraph by the following:

""replacement property" for a particular qualifying home in respect of an individual, or of a specified disabled person in respect of the individual, means another qualifying home that

(*a*) the individual or the specified disabled person agrees to acquire, or begins the construction of, at a particular time that is after the latest time that the individual made a request described in the definition of "designated withdrawal" in respect of the particular qualifying home;

(*b*) at the particular time, the individual intends to be used by the individual or the specified disabled person as a principal place of residence not later than one year after its acquisition; and

(*c*) none of the individual, the individual's spouse, the specified disabled person or that person's spouse had acquired before the particular time;";

(2) by replacing the definition of "eligible amount" in the first paragraph by the following:

““eligible amount” of an individual means a regular eligible amount or supplemental eligible amount of the individual;”;

(3) by inserting, in the first paragraph, the following definitions in alphabetical order:

““participation period” of an individual means each period that begins at the beginning of a calendar year in which the individual receives an eligible amount and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual’s specified balance is nil;”;

““regular eligible amount” of an individual means an amount received at a particular time by the individual as a benefit out of or under a registered retirement savings plan if

(*a*) the amount is received pursuant to the individual’s written request in a prescribed form in which the individual sets out the location of a qualifying home that the individual has begun, or intends not later than one year after its acquisition by the individual to begin, using as a principal place of residence;

(*b*) the individual entered into an agreement in writing before the particular time for the acquisition of the qualifying home or with respect to its construction;

(*c*) the individual acquires the qualifying home or a replacement property for the qualifying home before the completion date in respect of the amount received by the individual, or dies before the end of the calendar year that includes the completion date in respect of the amount;

(*d*) neither the individual nor the individual’s spouse acquired the qualifying home more than 30 days before the particular time;

(*e*) the individual did not have an owner-occupied home in the period that began on the first day of the fourth preceding calendar year that included the particular time, and that ended on the 31st day before the particular time;

(*f*) the individual’s spouse did not, in the period referred to in paragraph *e*, have an owner-occupied home that was inhabited by the individual during the spouse’s marriage to the individual, or that was a share of the capital stock of a housing cooperative that relates to a housing unit inhabited by the individual during the spouse’s marriage to the individual;

(*g*) the individual

i. acquired the qualifying home before the particular time and is resident in Canada at the particular time, or

ii. is resident in Canada throughout the period that begins at the particular time and ends at the earlier of the time of the individual's death and the earliest time at which the individual acquires the qualifying home or a replacement property for the qualifying home;

(*h*) the aggregate of the amount and all other eligible amounts received by the individual in the calendar year that includes the particular time does not exceed $20,000; and

(*i*) the individual's specified balance at the beginning of the calendar year that includes the particular time is nil;";

""specified disabled person", in respect of an individual at any time, means a person who

(*a*) is the individual or is related at that time to the individual; and

(*b*) would be entitled to a deduction under subsection 1 of section 118.3 of the Income Tax Act in computing the person's tax payable under Part I of this Act for the person's taxation year that includes that time if that section were read without reference to paragraph *c* of subsection 1 of that section;";

""supplemental eligible amount" of an individual means an amount received at a particular time by the individual as a benefit out of or under a registered retirement savings plan if

(*a*) the amount is received pursuant to the individual's written request in a prescribed form identifying a specified disabled person in respect of the individual and setting out the location of a qualifying home that has begun to be used by that person as a principal place of residence, or that the individual intends to be used by that person as a principal place of residence not later than one year after its first acquisition after the particular time;

(*b*) the purpose of receiving the amount is to enable the specified disabled person to live in a dwelling that is more accessible by that person or in which that person is more mobile or functional, or in an environment better suited to the personal needs and care of that person;

(*c*) the individual or the specified disabled person entered into an agreement in writing before the particular time for the acquisition of the qualifying home or with respect to its construction;

(*d*) either

i. the individual or the specified disabled person acquires a qualifying home or a replacement property for the qualifying home after 31 December 1998 and before the completion date in respect of the amount received by the individual, or

ii. the individual dies before the end of the calendar year that includes the completion date in respect of the amount received by the individual;

(*e*) none of the individual, the spouse of the individual, the specified disabled person or the spouse of that person acquired the qualifying home more than 30 days before the particular time;

(*f*) either

i. the individual or the specified disabled person acquired the qualifying home before the particular time and the individual is resident in Canada at the particular time, or

ii. the individual is resident in Canada throughout the period that begins at the particular time and ends at the earlier of the time of the individual's death and the earliest time at which the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home;

(*g*) the aggregate of the amount and all other eligible amounts received by the individual in the calendar year that includes the particular time does not exceed $20,000; and

(*h*) the individual's specified balance at the beginning of the calendar year that includes the particular time is nil;";

(4) by striking out, in the French text of paragraph *a* of the definition of "prime exclue" in the first paragraph, "(Lois révisées du Canada (1985), chapitre 1, 5^{e} supplément)";

(5) by inserting, in the first paragraph, the following definition in alphabetical order:

""designated withdrawal" of an individual is an amount received by the individual, as a benefit out of or under a registered retirement savings plan, pursuant to the individual's written request in the prescribed form referred to in paragraph *a* of the definition of "eligible amount" as that definition read in its application to amounts received before 1 January 1999, paragraph *a* of the definition of "regular eligible amount" or paragraph *a* of the definition of "supplemental eligible amount";";

(6) by replacing the portion of the definition of "excluded withdrawal" in the first paragraph before paragraph *a* by the following:

""excluded withdrawal" of an individual means";

(7) by replacing paragraphs *b* and *c* of the definition of "excluded withdrawal" in the first paragraph by the following:

"(*b*) a particular amount, other than an eligible amount, received while the individual was resident in Canada and in a calendar year if

i. the particular amount would be an eligible amount of the individual if the definition of "regular eligible amount" were read without reference to paragraphs *c* and *g* thereof and the definition of "supplemental eligible amount" were read without reference to paragraphs *d* and *f* thereof,

ii. a payment, other than an excluded premium, equal to the particular amount is made by the individual under a retirement savings plan that is, at the end of the taxation year of the payment, a registered retirement savings plan under which the individual is the annuitant,

iii. the payment is made before the particular time that is

(1) if the individual was not resident in Canada at the time the individual filed a fiscal return for the taxation year in which the particular amount was received, the earlier of the end of the following calendar year and the time at which the individual filed the fiscal return,

(2) where subparagraph 1 does not apply and the particular amount would, if subparagraph 1 of subparagraph ii of subparagraph *c* of the first paragraph of section 935.2 were read without the words "and the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home before the day that is one year after that completion date", be an eligible amount, the end of the second following calendar year, and

(3) in any other case, the end of the following calendar year, and

iv. either

(1) if the particular time is before 1 January 2000, the payment is made, as a repayment of the particular amount, to the issuer of a registered retirement savings plan from which the particular amount was received, no other payment is made as a repayment of the particular amount and that issuer is notified of the payment in a prescribed form submitted to the issuer at the time the payment is made, or

(2) the payment is made after 31 December 1999 and before the particular time and the payment, and no other payment, is designated under this subparagraph as a repayment of the particular amount in a prescribed form filed with the Minister on or before the particular time or before such later time as is acceptable to the Minister; or

"(*c*) an amount, other than an eligible amount, that is received in a calendar year before the calendar year 1999 and that would be an eligible amount of the individual if the definition of "eligible amount", as it applied to amounts received before 1 January 1999, were read without reference to paragraphs *c* and *e* thereof, where the individual

i. died before the end of the following calendar year, and

ii. was resident in Canada throughout the period that began immediately after the amount was received and ended at the time of the death;";

(8) by inserting, in the first paragraph, the following definition in alphabetical order:

""specified balance" of an individual at any time means the amount by which the aggregate of all eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts designated under section 935.3 by the individual for taxation years that ended before that time, and all amounts each of which is included under sections 935.4 and 935.5 in computing the individual's income for a taxation year that ended before that time;";

(9) by striking out the third paragraph.

(2) Paragraph 1 of subsection 1, paragraph 3 of that subsection, where it enacts the definition of "participation period" and of "specified disabled person" in the first paragraph of section 935.1 of the said Act, and paragraphs 4, 5 and 8 of that subsection apply from the taxation year 1999.

(3) Paragraph 2 of subsection 1 and paragraph 3 of that subsection, where it enacts the definition of "regular eligible amount" and of "supplemental eligible amount" in the first paragraph of section 935.1 of the said Act, apply in respect of amounts received after 31 December 1998.

(4) Paragraphs 6, 7 and 9 of subsection 1 apply in respect of amounts received after 31 December 1996. However, where the portion of paragraph *b* of the definition of "excluded withdrawal" in the first paragraph of section 935.1 of the said Act before subparagraph ii applies in respect of amounts received before 1 January 1999, it shall be read as follows:

"(*b*) a particular amount, other than an eligible amount, received in a calendar year that would be an eligible amount of the individual, if

i. the definition of "eligible amount" read without reference to paragraphs *c* and *e* thereof;".

169. (1) Section 935.2 of the said Act, amended by section 213 of chapter 5 of the statutes of 2000, is again amended

(1) by replacing subparagraph *c* of the first paragraph by the following:

"(*c*) except for the purposes of subparagraph ii of paragraph *g* of the definition of "regular eligible amount" in the first paragraph of section 935.1 and of subparagraph ii of paragraph *f* of the definition of "supplemental eligible amount" in that paragraph, an individual or a specified disabled person in respect of the individual is deemed to have acquired, before the

completion date in respect of a designated withdrawal received by the individual, the qualifying home in respect of which the designated withdrawal was received if

i. neither a qualifying home nor a replacement property for the qualifying home was acquired by the individual or the specified disabled person before that completion date, and

ii. either

(1) the individual or the specified disabled person is obliged under the terms of a written agreement in effect on that completion date to acquire the qualifying home, or a replacement property for the qualifying home, on or after that date, and the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home before the day that is one year after that completion date, or

(2) the individual or the specified disabled person made payments to persons with whom the individual was dealing at arm's length, in the period described in the second paragraph, in respect of the construction of the qualifying home or a replacement property for the qualifying home, and the aggregate of all payments so made was not less than the aggregate of all designated withdrawals that were received by the individual in respect of the qualifying home ;" ;

(2) by striking out subparagraphs *d* and *e* of the first paragraph ;

(3) by replacing subparagraph *f* of the first paragraph by the following :

"(*f*) an amount received by an individual in a particular calendar year is deemed to have been received by the individual at the end of the preceding calendar year and not at any other time if

i. the amount is received in January of the particular year or at such later time as is acceptable to the Minister,

ii. the amount would not be an eligible amount if this Title were read without reference to this paragraph, and

iii. the amount would be an eligible amount if the definition of "regular eligible amount" in the first paragraph of section 935.1 were read without reference to subparagraph *i* thereof and the definition of "supplemental eligible amount" in that paragraph were read without reference to paragraph *h* thereof." ;

(4) by replacing the second paragraph by the following :

"The period to which subparagraph 2 of subparagraph ii of subparagraph *c* of the first paragraph refers is the period that begins at the time the individual first benefited from a designated withdrawal in respect of the qualifying home

and that ends before the completion date in respect of the designated withdrawal."

(2) Subsection 1 applies in respect of amounts received after 31 December 1998.

170. (1) Section 935.3 of the said Act is amended by replacing the portion before paragraph *b* by the following:

"**935.3.** An individual may designate a single amount for a taxation year in a prescribed form filed with the fiscal return the individual is required to file under section 1000 for the year, if the amount does not exceed the lesser of

(*a*) the aggregate of all amounts, other than excluded premiums, repayments to which paragraph *b* of the definition of "excluded withdrawal" in the first paragraph of section 935.1 applies and amounts paid by the individual in the first 60 days of the year that can reasonably be considered to have been deducted in computing the individual's income, or designated under this section, for the preceding taxation year, paid by the individual in the year or within 60 days after the end of the year under a retirement savings plan that is at the end of the year or the following taxation year a registered retirement savings plan under which the individual is the annuitant; and".

(2) Subsection 1, where it amends the portion of section 935.3 of the said Act before paragraph *a*, applies from the taxation year 1999 and, where it amends paragraph *a* of that section 935.3, applies from the taxation year 1996.

171. (1) Section 935.4 of the said Act is amended

(1) by replacing the portion before the formula in the first paragraph by the following:

"**935.4.** An individual shall include in computing the income of the individual for a particular taxation year included in a particular participation period of the individual the amount determined by the formula";

(2) by replacing subparagraph ii of subparagraph *a* of the second paragraph by the following:

"ii. in any other case, the aggregate of all eligible amounts received by the individual in preceding taxation years included in the particular participation period;";

(3) by replacing subparagraphs i and ii of subparagraph *b* of the second paragraph by the following:

"i. if the completion date in respect of an eligible amount received by the individual was in the preceding taxation year, an amount equal to zero, and

"ii. in any other case, the aggregate of all amounts each of which is designated under section 935.3 by the individual for a preceding taxation year included in the particular participation period;";

(4) by replacing subparagraph *c* of the second paragraph by the following:

"(*c*) C is the aggregate of all amounts each of which is an amount included under this section or section 935.5 in computing the income of the individual for a preceding taxation year included in the particular participation period;";

(5) by striking out subparagraph i of subparagraph *e* of the second paragraph;

(6) by replacing subparagraphs ii and iii of subparagraph *e* of the second paragraph by the following:

"ii. if the completion date in respect of an eligible amount received by the individual was in the preceding taxation year, the aggregate of all amounts each of which is designated under section 935.3 by the individual for the particular year or a preceding taxation year included in the particular participation period, and

"iii. in any other case, the amount designated under section 935.3 by the individual for the particular year."

(2) Subsection 1 applies from the taxation year 1999.

172. (1) Section 935.5 of the said Act is replaced by the following:

"**935.5.** If at a particular time in a taxation year an individual ceases to be resident in Canada, the individual shall include in computing the income of the individual for the period in the year during which the individual was resident in Canada the amount by which the aggregate of all amounts each of which is an eligible amount received by the individual in the year or a preceding taxation year exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is the aggregate of

(*a*) all amounts designated under section 935.3 by the individual in respect of amounts paid not later than 60 days after the particular time and before the individual files a fiscal return for the year; and

(*b*) all amounts included under section 935.4 or this section in computing the income of the individual for preceding taxation years."

(2) Subsection 1 applies from the taxation year 1999.

173. (1) Section 935.6 of the said Act is replaced by the following:

"**935.6.** If an individual dies at a particular time in a taxation year, there shall be included in computing the income of the individual for the year the amount by which the individual's specified balance immediately before that time exceeds the amount designated under section 935.3 by the individual for the year."

(2) Subsection 1 applies from the taxation year 2000. In addition, where section 935.6 of the said Act, replaced by subsection 1, applies to the taxation years 1997 to 1999, paragraph *a* of that section shall be read as follows:

"(*a*) the aggregate of all excluded withdrawals in respect of the individual received by the individual before the particular time, other than excluded withdrawals in respect of the individual that were repaid as described in the definition of "excluded withdrawal" in the first paragraph of section 935.1, exceeds".

174. (1) Section 935.7 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following:

"**935.7.** If a spouse of an individual was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representative jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:";

(2) by replacing paragraphs *b* to *d* by the following:

"(*b*) the spouse is deemed to have received a particular eligible amount at the particular time equal to the amount that, but for this section, would be determined under section 935.6 in respect of the individual;

"(*c*) for the purposes of section 935.4 and paragraph *d*, the completion date in respect of the particular amount is deemed to be

i. if the spouse received an eligible amount before the death, other than an eligible amount received in a participation period of the spouse that ended before the beginning of the year, the completion date in respect of that amount, and

ii. in any other case, the completion date in respect of the last eligible amount received by the individual; and

"(*d*) for the purposes of section 935.4, the completion date in respect of each eligible amount received by the spouse, after the death and before the end of the spouse's participation period that includes the time of the death, is deemed to be the completion date in respect of the particular amount."

(2) Subsection 1 applies in respect of deaths that occur after 31 December 1998. However, where it applies in respect of deaths that occur in 1999, subparagraph ii of paragraph *c* of section 935.7 of the said Act shall be read as follows:

"ii. in any other case,

(1) if the individual received an eligible amount in a participation period of the individual that includes the time of the death, the completion date in respect of that amount, or

(2) if subparagraph 1 does not apply, 1 October 2000;".

175. (1) The said Act is amended by inserting, before Title V of Book VII of Part I, the following:

"**TITLE IV.2**

"LIFELONG LEARNING INCENTIVE PLAN

"**CHAPTER I**

"INTERPRETATION AND GENERAL

"**935.12.** In this Title,

"annuitant" has the meaning assigned by paragraph *b* of section 905.1;

"benefit" has the meaning assigned by paragraph *a* of section 905.1;

"eligible amount" of an individual means a particular amount received at a particular time in a calendar year by the individual as a benefit out of or under a registered retirement savings plan if

(*a*) the particular amount is received after 31 December 1998 pursuant to the individual's written request in a prescribed form;

(*b*) in respect of the particular amount, the individual designates in the form prescribed a person, in this definition referred to as the "designated person", who is the individual or the individual's spouse;

(*c*) the aggregate of the eligible amount and all other eligible amounts received by the individual at or before the particular time and in the year does not exceed $10,000;

(*d*) the aggregate of the particular amount and all other eligible amounts received by the individual at or before the particular time, other than amounts received in participation periods of the individual that ended before the year, does not exceed $20,000;

(*e*) the individual did not receive an eligible amount at or before the particular time in respect of which someone other than the designated person was designated, other than an amount received in a participation period of the individual that ended before the year;

(*f*) the designated person is enrolled at the particular time as a full-time student in a qualifying educational program or has received written notification before the particular time that the designated person is absolutely or contingently entitled to enroll before March of the following year as a full-time student in a qualifying educational program;

(*g*) the individual is resident in Canada throughout the period that begins at the particular time and ends immediately before the earlier of the beginning of the following year and the time of the individual's death;

(*h*) except where the individual dies after the particular time and before April of the following year, the designated person is enrolled as a full-time student in a qualifying educational program after the particular time and before March of the following year and

i. the designated person completes the qualifying educational program before April of the following year,

ii. the designated person does not withdraw from the qualifying educational program before April of the following year, or

iii. less than 75% of the tuition paid, after the beginning of the year and before April of the following year, in respect of the designated person and the qualifying educational program is refundable; and

(*i*) if an eligible amount was received by the individual before the year, the particular time is neither

i. in the individual's repayment period for the individual's participation period that includes the particular time, nor

ii. after January, or a later month where the Minister so permits, of the fifth calendar year of the individual's participation period that includes the particular time;

"excluded premium" of an individual means a premium that

(*a*) was designated by the individual for the purposes of paragraph *j*, *j*.1 or *l* of section 60 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or for the purposes of section 935.3;

(*b*) was a repayment to which paragraph *b* of the definition of "excluded withdrawal" in the first paragraph of section 935.1 applies;

(*c*) was an amount transferred directly from a registered retirement savings plan, registered pension plan, registered retirement income fund, deferred profit sharing plan or a provincial pension plan prescribed for the purposes of paragraph *v* of section 60 of the Income Tax Act; or

(*d*) was deductible under section 923.5 in computing the individual's income for any taxation year;

"excluded withdrawal" of an individual means

(*a*) an eligible amount received by the individual; or

(*b*) a particular amount, other than an eligible amount, received while the individual was resident in Canada and in a calendar year if

i. the particular amount would be an eligible amount of the individual if the definition of "eligible amount" were read without reference to paragraphs *g* and *h* of that definition,

ii. a payment, other than an excluded premium, equal to the particular amount is made by the individual under a retirement savings plan that is, at the end of the taxation year of the payment, a registered retirement savings plan under which the individual is the annuitant,

iii. the payment is made before the particular time that is,

(1) if the individual was not resident in Canada at the time the individual filed a fiscal return for the taxation year in which the particular amount was received, the earlier of the end of the following calendar year and the time at which the individual filed the fiscal return, and

(2) in any other case, the end of the following calendar year, and

iv. the payment, and no other payment, is designated under this subparagraph as a repayment of the particular amount in a prescribed form filed with the Minister on or before the particular time or before such later time as is acceptable to the Minister;

"participation period" of an individual means each period that begins at the beginning of a calendar year in which the individual receives an eligible amount and at the beginning of which the individual's specified balance is nil and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual's specified balance is nil;

"premium" has the meaning assigned by paragraph *e* of section 905.1;

"qualifying educational program" means a qualifying educational program within the meaning assigned by subsection 1 of section 146.02 of the Income Tax Act;

"repayment period" of an individual for a participation period of the individual in respect of a person designated under paragraph *b* of the definition of "eligible amount" means the period within the participation period that begins at one of the times referred to in subparagraphs i to iv of paragraph *a* of the definition of "repayment period" in subsection 1 of section 146.02 of the Income Tax Act and that ends at the end of the participation period;

"specified balance" of an individual at any time means the amount by which the aggregate of all eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts designated under section 935.14 by the individual for taxation years that ended before that time, and all amounts each of which is included under section 935.15 or 935.16 in computing the individual's income for a taxation year that ended before that time.

In this Title, a full-time student in a taxation year includes an individual to whom subsection 3 of section 118.6 of the Income Tax Act applies for the purpose of computing tax payable under Part I of that Act for the year or the following taxation year.

"**935.13.** For the purposes of the definition of "eligible amount" in the first paragraph of section 935.12, a particular person is deemed to be the only person in respect of whom a particular amount was designated under paragraph *b* of that definition if

(*a*) an individual received the particular amount;

(*b*) the individual files a prescribed form with the Minister in which the particular person is specified in connection with the receipt of the particular amount;

(*c*) the particular amount would be an eligible amount of the individual if that definition were read without reference to paragraphs *b* and *e* of that definition and paragraphs *f* and *h* of that definition were read as follows:

"(*f*) the individual or the individual's spouse, as the case may be, is enrolled at the particular time as a full-time student in a qualifying educational program or has received written notification before the particular time that the individual or the individual's spouse, as the case may be, is absolutely or contingently entitled to enroll before March of the following year as a full-time student in a qualifying educational program;";

"(*h*) except where the individual dies after the particular time and before April of the following year, the individual or the individual's spouse, as the case may be, is enrolled as a full-time student in a qualifying educational program after the particular time and before March of the following year and

i. the individual or the individual's spouse, as the case may be, completes the qualifying educational program before April of the following year,

ii. the individual or the individual's spouse, as the case may be, does not withdraw from the qualifying educational program before April of the following year, or

iii. less than 75% of the tuition paid, after the beginning of the year and before April of the following year, in respect of the individual or the individual's spouse, as the case may be, and the qualifying educational program is refundable ; and" ;

(*d*) the Minister so permits.

"**CHAPTER II**

"REPAYMENT OF ELIGIBLE AMOUNTS AND AMOUNTS TO BE INCLUDED

"**935.14.** An individual may designate a single amount for a taxation year in a prescribed form filed with the fiscal return the individual is required to file under section 1000 for the year, if the amount does not exceed the lesser of

(*a*) the aggregate of all amounts, other than excluded premiums, repayments to which paragraph *b* of the definition of "excluded withdrawal" in the first paragraph of section 935.12 applies and amounts paid by the individual in the first 60 days of the year that can reasonably be considered to have been deducted in computing the individual's income, or designated under this section, for the preceding taxation year, paid by the individual in the year or within 60 days after the end of the year under a retirement savings plan that is at the end of the year or the following taxation year a registered retirement savings plan under which the individual is the annuitant ; and

(*b*) the individual's specified balance at the end of the year.

"**935.15.** An individual shall in computing the individual's income for a particular taxation year that begins after 31 December 2000 include the amount determined by the formula

[(A – B – C) / (10 – D)] – E.

In the formula provided for in the first paragraph,

(*a*) A is

i. nil, if

(1) the individual died or ceased to be resident in Canada in the particular year, or

(2) the beginning of the particular year is not included in a repayment period of the individual, and

ii. in any other case, the aggregate of all eligible amounts received by the individual in preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year;

(*b*) B is

i. nil, if the particular year is the first taxation year in a repayment period of the individual, and

ii. in any other case, the aggregate of all amounts designated under section 935.14 by the individual for preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year;

(*c*) C is the aggregate of all amounts each of which is included under this section or section 935.16 in computing the individual's income for a preceding taxation year, other than a taxation year included in a participation period of the individual that ended before the particular year;

(*d*) D is the lesser of nine and the number of taxation years of the individual that end in the period that begins at the beginning of the individual's last repayment period that began at or before the beginning of the particular year and ends at the beginning of the particular year; and

(*e*) E is

i. if the particular year is the first taxation year within a repayment period of the individual, the aggregate of the amount designated under section 935.14 by the individual for the particular year and all amounts so designated for preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year, and

ii. in any other case, the amount designated under section 935.14 by the individual for the particular year.

"**935.16.** If at any time in a taxation year an individual ceases to be resident in Canada, the individual shall include in computing the income of the individual for the period in the year during which the individual was resident in Canada the amount by which the aggregate of all amounts each of which is an eligible amount received by the individual in the year or a preceding taxation year exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is the aggregate of

(*a*) all amounts designated under section 935.14 by the individual in respect of an amount paid not later than 60 days after that time and before the individual files a fiscal return for the year; and

(*b*) all amounts included under section 935.15 or this section in computing the income of the individual for a preceding taxation year.

"**935.17.** If an individual dies at any time in a taxation year, there shall be included in computing the income of the individual for the year the amount by which the individual's specified balance immediately before that time exceeds the amount designated under section 935.14 by the individual for the year.

"**935.18.** If a spouse of an individual was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representatives jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:

(*a*) section 935.17 does not apply to the individual;

(*b*) the spouse is deemed to have received a particular eligible amount at the particular time equal to the amount that, but for this section, would be determined under section 935.17 in respect of the individual;

(*c*) subject to paragraph *d*, for the purpose of applying this Title after the particular time, the spouse is deemed to be the person designated under paragraph *b* of the definition of "eligible amount" in the first paragraph of section 935.12 in respect of the particular amount; and

(*d*) where the spouse received an eligible amount before the particular time in the spouse's participation period that included the particular time and the particular individual designated under paragraph *b* of the definition of "eligible amount" in the first paragraph of section 935.12 in respect of that eligible amount was not the spouse, for the purpose of applying this Title after the particular time the particular individual is deemed to be the person designated under that paragraph in respect of the particular amount."

(2) Subsection 1 has effect from 1 January 1999.

176. (1) Section 965.0.17.3 of the said Act, enacted by section 224 of chapter 5 of the statutes of 2000, is replaced by the following:

"**965.0.17.3.** For the purposes of this Part, the rules set out in the second paragraph apply where an amendment is made at any time to an annuity contract to which section 965.0.17.2 or paragraph *a* of section 2.3 applies and the rights provided for under the contract are materially altered because of the amendment, other than an amendment the sole effect of which is

(*a*) to provide for an earlier annuity commencement that avoids the application of paragraph *b* of section 965.0.18; or

(*b*) to enhance benefits under the annuity contract in connection with the demutualization, as defined in section 832.11, of an insurance corporation that is considered for the purposes of sections 832.11 to 832.25 to have been a party to the annuity contract.

The rules to which the first paragraph refers are the following:

(*a*) each individual who has an interest in the annuity contract immediately before the time referred to in the first paragraph is deemed to have received at that time an amount under a pension plan equal to the fair market value of the interest immediately before that time;

(*b*) the contract as amended is deemed to be a separate annuity contract issued at the time referred to in the first paragraph otherwise than pursuant to a pension plan; and

(*c*) each individual who has an interest in the separate annuity contract immediately after the time referred to in the first paragraph is deemed to have acquired the interest at that time at a cost equal to the fair market value of the interest immediately after that time."

(2) Subsection 1 applies in respect of annuity contract amendments that occur after 15 December 1998.

177. (1) Section 965.0.17.4 of the said Act, enacted by section 224 of chapter 5 of the statutes of 2000, is amended by replacing paragraph *a* by the following:

"(*a*) the other contract is deemed to be the same contract as, and a continuation of, the original contract if the rights provided for under the other contract

i. are not materially different from those provided for under the original contract, or

ii. are materially different from those provided for under the original contract only because of an enhancement of benefits that can reasonably be considered to have been provided solely in connection with the demutualization, as defined in section 832.11, of an insurance corporation that is considered for the purposes of sections 832.11 to 832.25 to have been a party to the original contract; and".

(2) Subsection 1 applies in respect of annuity contract replacements that occur after 15 December 1998.

178. (1) Section 965.1 of the said Act, amended by section 105 of chapter 39 of the statutes of 2000, is again amended by replacing paragraph *j* by the following:

"(*j*) "total income", in respect of an individual for a year means the amount by which the individual's income for the year that would be determined under section 28 but for paragraphs *k*.1 to *k*.5 of section 311, section 311.1 where that section applies to a social assistance payment that was not received under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), the Act respecting income security (chapter S-3.1.1) or a law of a province, and paragraph *a* of section 317 where that paragraph refers to the amount of any supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or to a payment similar to such a supplement or allowance made under a law of a province, exceeds the amount the individual deducts for the year in computing the individual's taxable income under Titles VI.5 and VI.5.1 of Book IV;".

(2) Subsection 1 has effect from 31 July 2000.

179. Section 985.2.2 of the said Act is replaced by the following:

"**985.2.2.** The Minister may, on application made to the Minister in prescribed form by a registered charity, specify an amount in respect of the charity for a taxation year and, for the purposes of paragraph *b* of each of sections 985.6 to 985.8, that amount is deemed to be an amount expended by the charity in the year on charitable activities carried on by it."

180. Section 985.3 of the said Act is replaced by the following:

"**985.3.** On application made to the Minister in prescribed form, the Minister may, in writing, designate a registered charity as a charity associated with one or more specified registered charities where the Minister is satisfied that the charitable aim or activity of each of the registered charities is substantially the same, and on and after a date specified in such a designation, the charities are, until such time as the designation is revoked, deemed to be associated charities."

181. Section 985.5 of the said Act is amended by replacing subsection 1 by the following:

"**985.5.** (1) On application made to the Minister in prescribed form, the Minister may approve for registration as a charitable organization, private foundation or public foundation a charitable foundation, private foundation or public foundation, as the case may be, that is resident in Canada and was either created or established in Canada."

182. (1) Section 1000 of the said Act, amended by section 138 of chapter 7 of the statutes of 2001, is again amended, in subsection 1,

(1) by replacing paragraph *c* by the following:

"(*c*) in which the individual has a taxable capital gain or disposes of capital property, where the individual is resident in Canada at any time in the year;";

(2) by adding, after paragraph *c*, the following paragraphs:

"(*d*) in which the individual has a taxable capital gain or disposes of a taxable Canadian property, where the individual is not resident in Canada throughout the year; or

"(*e*) at the end of which the individual's specified balance, as defined in the first paragraph of section 935.1 or 935.12, is a positive amount."

(2) Subsection 1 applies from the taxation year 1999.

183. (1) Section 1003 of the said Act, replaced by section 236 of chapter 5 of the statutes of 2000, is amended by replacing, in subparagraph ii of subparagraph *b* of the first paragraph, "752.0.18.9" by "752.0.18.15".

(2) Subsection 1 applies from the taxation year 1997. However, where subparagraph ii of subparagraph *b* of the first paragraph of section 1003 of the said Act applies to the taxation year 1997, it shall be read with "752.0.18.15" replaced by "752.0.18.14".

184. Section 1029.7 of the said Act, amended by section 123 of chapter 39 of the statutes of 2000, is again amended by replacing, in the English text of subparagraph *f*.1 of the first paragraph, the words "who are directly engaged" by the words "who or which are directly engaged".

185. Section 1029.8 of the said Act, amended by section 125 of chapter 39 of the statutes of 2000, is again amended by replacing, in the English text of subparagraph *f*.1 of the first paragraph, the words "who are directly engaged" by the words "who or which are directly engaged".

186. Section 1029.8.9.0.1.2 of the said Act, enacted by section 126 of chapter 39 of the statutes of 2000, is amended, in the English text,

(1) by inserting, after the words "is directly undertaking", the words "substantially all of";

(2) by replacing the word "individual" by the word "person".

187. Section 1029.8.17 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 1029.8.17 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing, in the French text of subparagraph ii of paragraph *c*, the words "un autre organisme public canadien" by the words "une autre administration au Canada" and the words "cet organisme" by the words "cette administration".

188. (1) Section 1029.8.59 of the said Act, amended by section 269 of chapter 5 of the statutes of 2000, is again amended by replacing paragraph *b* by the following:

"(*b*) where the person has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted and the period applicable to that person for the year in relation to the individual is the period described in paragraph *b* of section 1029.8.55, the prescribed form on which a physician, within the meaning of section 752.0.18 or, where the person has a sight impairment, a physician or an optometrist, within the meaning of that section 752.0.18, or, where the person has a hearing impairment, a physician or an audiologist, within the meaning of that section 752.0.18, or, where the person has an impairment with respect to the person's ability in walking, or feeding and dressing themself, a physician or an occupational therapist, within the meaning of that section 752.0.18, or, where the person has an impairment with respect to the person's ability in perceiving, thinking and remembering, a physician or a psychologist, within the meaning of that section 752.0.18, certifies that the person has such a severe and prolonged mental or physical impairment."

(2) Subsection 1 applies in respect of certifications made after 24 February 1998.

189. (1) Section 1029.8.67 of the said Act, amended by section 270 of chapter 5 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 1029.8.67 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing paragraph *a* of the definition of "qualified child care expense" by the following:

"(*a*) by the individual, if section 1029.8.70 applies to the individual and the supporting person of the child for the year is a person described in subparagraph 4 of subparagraph i of subparagraph *b* of the second paragraph of that section, or";

(2) by replacing subparagraph v of paragraph *a* of the definition of "child care expense" by the following:

"v. to attend a qualified educational institution, where the individual or supporting person is enrolled in an educational program of not less than three consecutive weeks duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program or not less than 12 hours per month on courses in the program, as the case may be, and".

(2) Subsection 1 applies from the taxation year 1998.

190. (1) Section 1029.8.70 of the said Act, amended by section 194 of chapter 39 of the statutes of 2000, is again amended, in the second paragraph,

(1) by replacing, in the English text, subparagraph *a* by the following:

"(*a*) the total of the product obtained when $7,000 is multiplied by the number of eligible children of the individual, or of the supporting person, for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when $4,000 is multiplied by the number of all other eligible children of the individual, or of the supporting person, for the year in respect of whom child care expenses referred to in the first paragraph were incurred;";

(2) by replacing subparagraph *b* by the following:

"(*b*) an amount equal to the aggregate of

i. the product obtained when the total of the product obtained when $175 is multiplied by the number of eligible children of the individual, or of the supporting person, for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when $100 is multiplied by the number of all other eligible children of the individual, or of the supporting person, for the year in respect of whom child care expenses referred to in the first paragraph were incurred, is multiplied by the number of weeks in the year during which the child care expenses were incurred and throughout which the supporting person of the child was

(1) a student in attendance at a qualified educational institution and enrolled in an educational program of not less than three consecutive weeks duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program,

(2) a person certified by a physician, within the meaning of section 752.0.18, to be a person who was incapable of caring for children because of mental or physical infirmity which is likely to be for a long, continuous and indefinite period, or because of mental or physical infirmity and the person's confinement, throughout a period of not less than two weeks in the year, to bed, to a wheelchair or as a patient in a hospital centre or other similar institution,

(3) a person confined to a prison or a similar institution throughout a period of not less than two weeks in the year,

(4) a person who was living separate and apart from the individual at the end of the year and for a period of at least 90 days that began in the year, because of the breakdown of their marriage, or

(5) a person who was carrying on an active business on a regular and continuous basis, and

ii. the product obtained when the total of the product obtained when $175 is multiplied by the number of eligible children of the individual, or of the supporting person, for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when $100 is multiplied by the number of all other eligible children of the individual, or of the supporting person, for the year in respect of whom child care expenses referred to in the first paragraph were incurred, is multiplied by the number of months in the year, other than a month that includes all or part of a week described in subparagraph i, during which the child care expenses were incurred and throughout which the supporting person of the child was a student in attendance at a qualified educational institution and enrolled in an educational program of not less than three consecutive weeks duration that provides that each student in the program spend not less than 12 hours per month on courses in the program."

(2) Subsection 1 applies from the taxation year 1998. However, where the English text of subparagraph *a* of the second paragraph of section 1029.8.70 of the said Act applies to the taxation year 1998, it shall be read with "$7,000" and "$4,000" replaced by "$5,000" and "$3,000", respectively, and where subparagraph *b* of the second paragraph of that section applies to that taxation year, it shall be read with "$175" and "$100" replaced by "$150" and "$90", respectively, wherever they appear.

191. (1) Section 1029.8.71 of the said Act, amended by section 195 of chapter 39 of the statutes of 2000, is again amended

(1) by replacing, in the English text, subparagraph i of subparagraph *a* of the first paragraph by the following:

"i. the total of the product obtained when $7,000 is multiplied by the number of eligible children of the individual for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom such expenses were incurred, and the product obtained when $4,000 is multiplied by the number of all other eligible children of the individual for the year in respect of whom such expenses were incurred, exceeds";

(2) by replacing subparagraph i of subparagraph *b* of the first paragraph by the following:

"i. the individual is, at any time in the year, a student in attendance at a qualified educational institution and enrolled in an educational program of not less than three consecutive weeks duration that provides that each student in

the program spend not less than 10 hours per week on courses or work in the program or not less than 12 hours per month on courses in the program, as the case may be, and";

(3) by replacing subparagraph *c* of the second paragraph by the following:

"(*c*) the amount equal to the aggregate of

i. the product obtained when the total of the product obtained when $175 is multiplied by the number of eligible children of the individual for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when $100 is multiplied by the number of all other eligible children of the individual for the year in respect of whom child care expenses referred to in the first paragraph were incurred, is multiplied by the number of weeks in the year during which the child care expenses were incurred and throughout which

(1) where there is a supporting person of an eligible child of the individual for the year, both the supporting person and the individual are students who would be described in subparagraph i of subparagraph *b* of the first paragraph if that subparagraph i were read without "or not less than 12 hours per month on courses in the program, as the case may be", and

(2) in any other case, the individual is a student who would be described in subparagraph i of subparagraph *b* of the first paragraph if that subparagraph i were read without "or not less than 12 hours per month on courses in the program, as the case may be", and

ii. the product obtained when the total of the product obtained when $175 is multiplied by the number of eligible children of the individual for the year each of whom is under seven years of age on 31 December of that year or would have been had the child then been living, or a person described in section 1029.8.76, and in respect of whom child care expenses referred to in the first paragraph were incurred, and the product obtained when $100 is multiplied by the number of all other eligible children of the individual for the year in respect of whom child care expenses referred to in the first paragraph were incurred, is multiplied by the number of months in the year, other than a month that includes all or part of a week described in subparagraph i, during which the child care expenses were incurred and throughout which

(1) where there is a supporting person of an eligible child of the individual for the year, both the supporting person and the individual are students described in subparagraph i of subparagraph *b* of the first paragraph, and

(2) in any other case, the individual is a student described in subparagraph i of subparagraph *b* of the first paragraph;".

(2) Subsection 1 applies from the taxation year 1998. However, where the English text of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.71 of the said Act applies to the taxation year 1998, it shall be read with "$7,000" and "$4,000" replaced by "$5,000" and "$3,000", respectively, and where subparagraph *c* of the second paragraph of that section applies to that taxation year, it shall be read with "$175" and "$100" replaced by "$150" and "$90", respectively, wherever they appear.

192. Section 1029.8.77.1 of the said Act is replaced by the following:

"**1029.8.77.1.** For the purposes of the definition of "family income" in section 1029.8.67, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death."

193. Section 1029.8.103 of the said Act is replaced by the following:

"**1029.8.103.** For the purposes of the definition of "family income" in section 1029.8.101, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year."

194. Section 1029.8.112 of the said Act is replaced by the following:

"**1029.8.112.** For the purposes of the definition of "family income" in section 1029.8.110, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year."

195. (1) Section 1029.8.118 of the said Act, enacted by section 271 of chapter 5 of the statutes of 2000 and amended by section (*insert the number of the section in Bill 175 that amends section 1029.8.118 of the Taxation Act*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by adding, after the fourth paragraph, the following paragraph:

"For the purposes of the definition of "family income" in the first paragraph of section 1029.8.117, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to

be equal to the income that would be determined in respect of the individual for the year under this Part if the income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Québec and in Canada throughout the year."

(2) Subsection 1 applies from the taxation year 1997.

196. (1) The said Act is amended by inserting, after section 1034.0.0.1, enacted by section 272 of chapter 5 of the statutes of 2000, the following section:

"**1034.0.0.2.** The father or mother of a specified individual is solidarily liable with the individual for the tax required to be added because of section 766.6 in computing the individual's tax otherwise payable under this Part for a year if, during the year, the father or the mother, as the case may be,

(*a*) carried on a business that purchased property or services from a business the income of which is directly or indirectly included in computing the individual's split income for the year;

(*b*) was a specified shareholder of a corporation that purchased property or services from a business the income of which is directly or indirectly included in computing the individual's split income for the year;

(*c*) was a specified shareholder of a corporation, dividends on the shares of the capital stock of which were directly or indirectly included in computing the individual's split income for the year;

(*d*) was a shareholder of a professional corporation that purchased property or services from a business the income of which is directly or indirectly included in computing the individual's split income for the year; or

(*e*) was a shareholder of a professional corporation, dividends on the shares of the capital stock of which were directly or indirectly included in computing the individual's split income for the year."

(2) Subsection 1 applies from the taxation year 2000.

197. (1) The said Act is amended by inserting, after section 1034.3, the following section:

"**1034.3.1.** For the purposes of sections 1034.2 and 1034.3, the fair market value at any time of an undivided interest in a property is deemed to be equal to that proportion of the fair market value of the property at that time that the interest is of all the undivided interests in the property."

(2) Subsection 1 applies in respect of transfers of property made after 4 June 1999.

198. (1) Section 1035 of the said Act, replaced by section 273 of chapter 5 of the statutes of 2000, is amended by inserting, after "by virtue of subsections 1 and 2 of section 1034.1", "or section 1034.0.0.2".

(2) Subsection 1 applies from the taxation year 2000.

199. (1) Section 1036 of the said Act, amended by section 274 of chapter 5 of the statutes of 2000, is again amended by replacing, in the portion before paragraph *a* and in paragraph *b*, "1034, 1034.0.0.1, 1034.1 to 1034.4" by "1034, 1034.0.0.1, 1034.0.0.2, 1034.1 to 1034.3, 1034.4".

(2) Subsection 1, where it replaces, in the portion of section 1036 of the said Act before paragraph *a* and in paragraph *b*, "1034.1 to 1034.4" by "1034.1 to 1034.3, 1034.4", has effect from 5 June 1999.

(3) Subsection 1, where it adds, in the portion of section 1036 of the said Act before paragraph *a* and in paragraph *b*, a reference to section 1034.0.0.2 of the said Act, applies from the taxation year 2000.

200. (1) Section 1042.1 of the said Act is replaced by the following:

"**1042.1.** No interest is payable for the period specified in the second paragraph, where the tax payable under this Part by a taxpayer for a particular taxation year is increased because of

(*a*) an adjustment of an income or profits tax payable by the taxpayer to the government of a foreign country or political subdivision of a foreign country; or

(*b*) a reduction in the amount of taxes that meet the conditions under subparagraphs *a* to *c* of the first paragraph of section 772.5.2, that is deductible under section 772.6 or 772.8 in computing the taxpayer's tax otherwise payable under this Part for the particular year, as a result of the application of section 772.5.2 in respect of a share or debt obligation disposed of by the taxpayer in the taxation year following the particular year.

The period to which the first paragraph refers is the period

(*a*) that ends 90 days after the date on which the taxpayer is first notified of the amount of the adjustment, if subparagraph *a* of the first paragraph applies; and

(*b*) before the date of the disposition, if subparagraph *b* of the first paragraph applies."

(2) Subsection 1 applies from the taxation year 1998.

201. (1) Section 1055.1 of the said Act is amended by replacing the portion before paragraph *a* by the following:

"**1055.1.** Notwithstanding any other provision of this Act, if, within the first taxation year of the succession of a deceased taxpayer, a right to acquire a security, as defined in section 47.18, under an agreement in respect of which a benefit was deemed by section 52.1 to have been received by the taxpayer is exercised or disposed of by the taxpayer's legal representative and the taxpayer's legal representative makes an election in prescribed manner and within the prescribed time, the following rules apply :".

(2) Subsection 1 applies in respect of deaths that occur after 28 February 1998.

202. Section 1056.4.1 of the said Act is replaced by the following :

"**1056.4.1.** For the purposes of section 1056.4, the following rules apply :

(*a*) a designation in the form prescribed for the purposes of subparagraph *j* of the first paragraph of section 485.3 or any of sections 485.6 to 485.11 and 485.40 is deemed to be a prescribed election ; and

(*b*) an allocation under section 1121.12 is deemed to be a prescribed election."

203. (1) Section 1082.10 of the said Act, enacted by section 154 of chapter 7 of the statutes of 2001, is replaced by the following :

"**1082.10.** Where, in a taxation year of a corporation resident in Canada, a person not resident in Canada owes an amount to the corporation, the person not resident in Canada is a controlled foreign affiliate of the corporation for the purposes of Division VII of Chapter II of Title III of Book III throughout the period in the year during which the amount is owing and it is established that the amount owing is an amount owing described in paragraph *a* or *b* of section 127.13, section 1082.4 does not apply to adjust the amount of interest paid, payable or accruing in the year on the amount owing."

(2) Subsection 1 applies to taxation years that begin after 23 February 1998.

204. (1) Section 1086.9 of the said Act, enacted by section 219 of chapter 39 of the statutes of 2000, is amended by replacing the definition of "taxation year" by the following :

""taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779 ;".

(2) Subsection 1 applies from the taxation year 2000.

205. (1) Section 1089 of the said Act, amended by section 220 of chapter 39 of the statutes of 2000, is again amended, in the first paragraph,

(1) by replacing, in the French text of subparagraph *b*, the word “exercées” by the word “exploitées”;

(2) by replacing subparagraph *c* by the following:

“(*c*) the taxable capital gains and allowable capital losses from dispositions of taxable Québec property, other than

i. property described in any of paragraphs *c* to *i* of section 1094, and

ii. tax-agreement-protected property, within the meaning of section 1;”;

(3) by replacing, in the French text of subparagraphs *d* and *e*, the word “exercée” by the word “exploitée”;

(4) by replacing subparagraph *i* by the following:

“(*i*) the losses from duties of an office or employment performed by the individual in Québec and the losses from businesses carried on by the individual in Canada, other than tax-agreement-protected businesses, within the meaning of section 1, which are attributable in prescribed manner to an establishment in Québec;”;

(5) by replacing, in the French text of subparagraphs *j* and *l*, the word “exercé” by the word “exploité”.

(2) Subsection 1 applies from the taxation year 1998.

206. (1) Section 1090 of the said Act, amended by section 221 of chapter 39 of the statutes of 2000, is again amended, in the first paragraph,

(1) by replacing, in the French text of subparagraph *b*, the word “exercées” by the word “exploitées”;

(2) by replacing subparagraph *c* by the following:

“(*c*) the taxable capital gains and allowable capital losses from dispositions of taxable Canadian property, other than tax-agreement-protected property, within the meaning of section 1;”;

(3) by replacing, in the French text of subparagraphs *d* and *e*, the word “exercée” by the word “exploitée”;

(4) by replacing subparagraph *i* by the following:

“(*i*) the losses from duties of an office or employment performed by the individual in Canada and the losses from businesses carried on by the individual in Canada, other than tax-agreement-protected businesses, within the meaning of section 1, which are attributable in prescribed manner to an establishment in Canada;”;

(5) by replacing, in the French text of subparagraphs *j* and *l*, the word "exercé" by the word "exploité".

(2) Subsection 1 applies from the taxation year 1998.

207. Section 1090.1 of the said Act is replaced by the following:

"**1090.1.** For the purposes of this Part, where an individual referred to in section 26 or a corporation referred to in the first paragraph of section 27 disposes, in a taxation year, of property referred to in subparagraph *l* of the first paragraph of either of section 1089 or 1090, the individual or the corporation is deemed, in respect of such disposition, to have been carrying on business in Canada during the year."

208. (1) Section 1091 of the said Act, amended by section 264 of chapter 39 of the statutes of 2000, is again amended

(1) by replacing, in the French text of the portion before paragraph *a*, the words "sur l'ensemble" by the words "sur l'ensemble des déductions suivantes";

(2) by replacing paragraphs *a* and *b* by the following:

"(*a*) the deductions permitted by sections 725, 725.1.2 and 725.2 to 725.4, to the extent that they relate to amounts included in computing the individual's income earned in Canada under section 1090;

"(*b*) such of the deductions permitted by sections 727, 728.1, 729, 731 and 733.0.0.1 as may reasonably be considered to be applicable to the services the individual rendered in an office or employment in Canada, to an establishment in Canada of a business carried on by the individual in Canada or to a disposition of property, any income or gain on which would have been required to be included in computing the individual's income earned in Canada under section 1090; and";

(3) by replacing, in the French text of paragraph *c,* the words "des autres déductions" by the words "les autres déductions".

(2) Subsection 1 applies from the taxation year 1998.

209. (1) The said Act is amended by inserting, before Title II of Part II, the following:

"**TITLE I.1**

"INVESTMENT SERVICES PROVIDED TO FOREIGNERS

"**1091.2.** In this Title,

"Canadian service provider" means a corporation or a trust resident in Canada or a Canadian partnership;

"designated investment services" provided to a qualified foreigner means any one or more of the services described in the following paragraphs:

(*a*) investment management or advice with respect to qualified investments, regardless of whether the manager has discretionary authority to buy or sell;

(*b*) purchasing or selling qualified investments, exercising rights incidental to the ownership of qualified investments such as voting, conversion or exchange;

(*c*) entering into or executing agreements with respect to services referred to in paragraph *b*;

(*d*) investment administration services, such as receiving, delivering and having custody of investments, calculating and reporting investment values, receiving subscription amounts from, and paying distributions and proceeds of disposition to, investors in or beneficiaries of the qualified foreigner, record keeping, accounting and reporting to the qualified foreigner and its investors and beneficiaries; and

(*e*) if the qualified foreigner is a corporation, trust or partnership the only undertaking of which is the investing of its funds in qualified investments, marketing shares of its capital stock or interests in itself to investors not resident in Canada;

"promoter" of a qualified foreigner that is a corporation, trust or partnership means a particular person or a particular partnership that initiates or directs the founding, organization or substantial reorganization of the qualified foreigner, or a person or partnership affiliated with such a particular person or particular partnership;

"qualified foreigner" means a person not resident in Canada or a partnership no member of which is resident in Canada;

"qualified investment" of a qualified foreigner means

(*a*) a share of the capital stock of a corporation, or an interest in a partnership, trust, entity, organization or fund, other than a share or an interest

i. that is either a security not listed on a Canadian stock exchange nor on a foreign stock exchange, or listed on such a stock exchange, if the qualified foreigner, together with all persons with whom the foreigner does not deal at arm's length, owns 25% or more of the issued shares of any class of the capital stock of the corporation or of the total value of interests in the partnership, trust, entity, organization or fund, as the case may be, and

ii. of which more than 50% of the fair market value is derived from one or more of the following properties:

(1) an immovable situated in Canada,

(2) Canadian resource property, and

(3) timber resource property;

(*b*) indebtedness;

(*c*) annuities;

(*d*) commodities or commodities futures purchased or sold, directly or indirectly in any manner whatever, on a commodities or commodities futures exchange;

(*e*) currency; and

(*f*) options, interests, rights and forward and futures agreements in respect of property described in any of paragraphs *a* to *e* or this paragraph, and agreements under which obligations are derived from interest rates, from the price of property described in any of those paragraphs, from payments made in respect of such a property by its issuer to holders of the property, or from an index reflecting a composite measure of such rates, prices or payments, whether or not the agreement creates any rights in or obligations regarding the referenced property itself.

"**1091.3.** For the purposes of Part I and this Part, a qualified foreigner is not considered to be carrying on business in Canada at any particular time solely because of the provision to the foreigner at the particular time of designated investment services by a Canadian service provider if

(*a*) in the case of a qualified foreigner who is an individual other than a trust, the qualified foreigner is not affiliated at the particular time with the Canadian service provider; or

(*b*) in the case of a qualified foreigner that is a corporation, trust or partnership,

i. the qualified foreigner has not, before the particular time, directly or through its mandataries, sold shares of its capital stock or interests in itself, in this section referred to as "investments", to persons that the qualified foreigner knew or ought to have known after reasonable enquiry were resident in Canada or partnerships that the qualified foreigner knew or ought to have known after reasonable enquiry had members that were resident in Canada, nor directed any promotion of investments in itself principally at such persons or partnerships;

ii. the qualified foreigner has not, before the particular time, directly or through its mandataries, filed any document with a public authority in Canada in accordance with the securities legislation of Canada or of any province in

order to permit the distribution of investments in the qualified foreigner to persons resident in Canada ; and

iii. when the particular time is more than one year after the time at which the qualified foreigner was created, the total of the fair market value, at the particular time, of investments in the qualified foreigner that are beneficially owned by persons or partnerships that are affiliated with the Canadian service provider and are not designated entities in respect of the Canadian service provider, does not exceed 25% of the fair market value, at the particular time, of all investments in the qualified foreigner.

For the purposes of this paragraph and subparagraph iii of subparagraph *b* of the first paragraph,

(*a*) the fair market value of an investment in a corporation, trust or partnership shall be determined without regard to any voting rights attaching to that investment ; and

(*b*) a person or partnership is, at a particular time, a designated entity in respect of a Canadian service provider if the total of the fair market value at the particular time, of investments in the designated entity that are beneficially owned by persons or partnerships that are affiliated with the Canadian service provider and are not other designated entities in respect of the Canadian service provider, does not exceed 25% of the fair market value, at the particular time, of all investments in the entity.

"**1091.4.** For the purposes of Title I.2 of Book XI of Part I, where section 1091.3 applies to a qualified foreigner, if the Canadian service provider referred to in that section does not deal at arm's length with the promoter of the qualified foreigner, the Canadian service provider is deemed not to deal at arm's length with the qualified foreigner."

(2) Subsection 1 applies to taxation years that end after 31 December 1998.

210. (1) Section 1092 of the said Act is amended by replacing paragraph *c* by the following :

"(*c*) may deduct, in computing their income for the year, an amount that would be deductible under sections 348 to 350 if

i. subparagraph *a* of the first paragraph of section 349.1 were read as follows :

"(*a*) the relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that institution being in this chapter referred to as "the new work location" ;", and

ii. the amounts mentioned in subparagraph ii of paragraph *c* of section 348 were those mentioned in subparagraph ii of paragraph *b*."

(2) Subsection 1 has effect from 1 January 1998.

211. (1) Section 1093 of the said Act is amended by replacing paragraph *d* by the following:

"(*d*) an individual

i. who has, in any previous taxation year, ceased to be resident in Québec,

ii. who receives, in the year, salary or wages or other remuneration in respect of an office or employment that is paid to the individual directly or indirectly by a person resident in Canada, and

iii. who is, under a tax agreement, within the meaning of section 1, with one or more countries, entitled to an exemption from an income tax otherwise payable in any of those countries in respect of the salary or wages or other remuneration referred to in subparagraph ii; or".

(2) Subsection 1 applies from the taxation year 1998.

212. (1) Section 1120.0.1 of the said Act, enacted by section 164 of chapter 7 of the statutes of 2001, is replaced by the following:

"**1120.0.1.** Where a trust becomes a mutual fund trust at any particular time before the 91st day after the end of its first taxation year, and the trust so elects in its fiscal return it is required to file for that year, the trust is deemed to have been a mutual fund trust from the beginning of that year until the particular time."

(2) Subsection 1 applies from the taxation year 1998.

213. (1) The said Act is amended by inserting, after section 1121.6, the following sections:

"**1121.7.** Notwithstanding any other provision of this Act, where a trust, other than a prescribed trust, that was a mutual fund trust on the 74th day after the end of a particular calendar year so elects in writing filed with the Minister with its fiscal return it is required to file for its taxation year that includes 15 December of the particular year, the following rules apply:

(*a*) the trust's taxation year that began before 16 December of the particular calendar year and, but for this paragraph, would have ended at the end of the particular calendar year or, where the first taxation year of the trust began after 15 December of the preceding calendar year and no fiscal return was filed for a taxation year of the trust that ended at the end of the preceding calendar year, at the end of the preceding calendar year, is deemed to end on 15 December of the particular calendar year;

(*b*) where the trust's taxation year ends on 15 December because of paragraph *a*, each subsequent taxation year of the trust is deemed to be the period that begins on 16 December of a calendar year and ends on 15 December of the following calendar year or at such earlier time as is determined under paragraph *b* of section 785.5 or section 851.22.23; and

(*c*) each fiscal period of a business or property of the trust that begins in a taxation year of the trust shall end no later than

i. where the trust's taxation year ends on 15 December because of paragraph *a*, at the end of that taxation year, and

ii. where the trust's taxation year is a taxation year subsequent to the taxation year referred to in subparagraph i, at the end of that subsequent taxation year.

"**1121.8.** Where a trust is a member of a partnership a fiscal period of a business or property of which ends in a calendar year after 15 December of the year and a particular taxation year of the trust ends on 15 December of the year because of section 1121.7, each amount otherwise determined under paragraph *f* or *g* of section 600 to be the trust's income or loss for a taxation year subsequent to that year is deemed to be the trust's income or loss determined under that paragraph for the particular year and not for the subsequent year.

"**1121.9.** Where a particular trust is a beneficiary under another trust a taxation year of which, in this section referred to as the "other year", ends in a calendar year after 15 December of the year and a particular taxation year of the particular trust ends on 15 December of the year because of section 1121.7, each amount otherwise determined or designated under section 663, 666, 668, 669.3 or 671 for the other year that would otherwise be included, or taken into account, in computing the income of the particular trust for a taxation year subsequent to that year shall be included, or taken into account, in computing the particular trust's income for the particular year and not be included, or taken into account, in computing the particular trust's income for the subsequent year.

"**1121.10.** For the purposes of section 306, paragraph *a* of section 657 and sections 657.1, 663, 1121.11 and 1121.12 and notwithstanding section 652, each amount that is paid, or that becomes payable, by a trust to a beneficiary after the end of a particular taxation year of the trust that ends on 15 December of a calendar year because of section 1121.7 and before the end of that calendar year is deemed to have been paid or to have become payable, as the case may be, to the beneficiary at the end of the particular taxation year.

"**1121.11.** Where an amount is deemed by section 1121.10 to have been paid or to have become payable on 15 December of a calendar year by a trust to a beneficiary who was not a beneficiary under the trust at that time, the following rules apply:

(*a*) notwithstanding any other provision of this Act, where the beneficiary did not exist at that time, except for the purposes of this paragraph, the first taxation year of the beneficiary is deemed to include the period that begins at that time and ends immediately before the beginning of the first taxation year of the beneficiary;

(*b*) the beneficiary is deemed to exist throughout the period described in paragraph *a*; and

(*c*) where the beneficiary was not a beneficiary under the trust at that time, the beneficiary is deemed to have been a beneficiary under the trust at that time.

"**1121.12.** Where a particular amount is designated under this section by a trust in its fiscal return for a particular taxation year that ends on 15 December because of section 1121.7 or throughout which the trust was a mutual fund trust and the trust does not designate an amount under section 663.1 or 663.2 for the particular year, the following rules apply:

(*a*) the particular amount shall be added in computing the trust's income for the particular year;

(*b*) for the purposes of paragraph *a* of section 657 and sections 657.1 and 663, each portion of the particular amount that is allocated under this paragraph to a beneficiary under the trust in the trust's fiscal return for the particular year in respect of an amount paid or payable to the beneficiary in the particular year shall be considered to be additional income of the trust for the particular year, determined without reference to paragraph *a* of section 657 and section 657.1, that was paid or payable, as the case may be, to the beneficiary at the end of the particular year; and

(*c*) for the purposes of section 306, where a portion of the particular amount is allocated to a beneficiary under paragraph *b* in respect of an amount that became payable to the beneficiary in the particular year, the right to the amount so payable shall be considered to be a right to enforce payment by the trust to the beneficiary out of the trust's income, determined without reference to the provisions of this Act, for the particular year.

"**1121.13.** Subject to section 1121.14, the lesser of the amount designated under section 1121.12 by a trust for a taxation year and the aggregate of all amounts each of which is allocated by the trust under paragraph *b* of section 1121.12 in respect of the year shall be deducted in computing the trust's income for the subsequent taxation year.

"**1121.14.** Section 1121.13 does not apply in computing the income of a trust for a taxation year where it is reasonable to consider that the designation under section 1121.12 for the preceding taxation year was part of a series of transactions or events that includes a change in the composition of beneficiaries under the trust."

(2) Subsection 1 applies from the taxation year 1998.

214. (1) The said Act is amended by inserting, after section 1129.0.10, the following:

"**PART III.0.1.1**

"SPECIAL TAX RELATING TO THE RECAPTURE OF CERTAIN SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDITS

"**1129.0.10.1.** In this Part,

"consideration" has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I;

"disposition" has the meaning assigned by section 248;

"fiscal period" has the meaning assigned by Part I;

"Minister" means the Minister of Revenue;

"non-arm's length" has the meaning assigned by Part I;

"proceeds of disposition" has the meaning assigned by section 251;

"qualified expenditure" has the meaning assigned by section 1029.8.9.1;

"scientific research and experimental development" has the meaning assigned by section 1;

"taxation year" has the meaning assigned by Part I;

"taxpayer" has the meaning assigned by section 1.

In this Part, for the purpose of determining whether or not a partnership is dealing at arm's length with a person or another partnership, the partnership is deemed to be a person.

"**1129.0.10.2.** Every taxpayer who is deemed to have paid an amount to the Minister, under subparagraph *c* or *g* of the first paragraph of section 1029.7, on account of the taxpayer's tax payable under Part I for a particular taxation year shall pay, for a subsequent taxation year, a tax equal to the amount determined in the second paragraph, where

(*a*) a particular property is acquired by the taxpayer from a person or partnership in the particular taxation year;

(*b*) the cost of the particular property was a portion of the consideration paid by the taxpayer under a contract referred to in one of those subparagraphs;

(*c*) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year; and

(*d*) in the subsequent taxation year and after 23 February 1998, the taxpayer begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer has paid to the Minister under this section for a taxation year preceding the subsequent taxation year, in relation to the particular property:

(*a*) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(*b*) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the taxpayer, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.3.** Every taxpayer who is a member of a partnership and is deemed to have paid an amount to the Minister, under subparagraph *c* or *g* of the first paragraph of section 1029.8, in respect of that partnership, on account of the taxpayer's tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ends shall pay, for the taxation year in which a subsequent fiscal period ends, a tax equal to the amount determined in the second paragraph, where

(*a*) a particular property is acquired by the partnership from a person or partnership in the particular fiscal period;

(*b*) the cost of the particular property was a portion of the consideration paid by the partnership under a contract referred to in one of those subparagraphs;

(*c*) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year in which the particular fiscal period ends ; and

(*d*) in the subsequent fiscal period and after 23 February 1998, the partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the subsequent fiscal period ends, in relation to the particular property, if the taxpayer's share of the income or loss of the partnership for the fiscal period in which the preceding taxation year ends had been the same as the taxpayer's share for the subsequent fiscal period :

(*a*) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property ; and

(*b*) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.4.** Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.10, on account of the taxpayer's tax payable under Part I for a particular taxation year shall pay, for a subsequent taxation year, a tax equal to the amount determined in the second paragraph, where

(*a*) a particular property is acquired by the taxpayer from a person or partnership in the particular taxation year ;

(*b*) the cost of the particular property was a qualified expenditure to the taxpayer ;

(*c*) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year; and

(*d*) in the subsequent taxation year and after 23 February 1998, the taxpayer begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer has paid to the Minister under this section for a taxation year preceding the subsequent taxation year, in relation to the particular property:

(*a*) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(*b*) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the taxpayer, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.5.** Every taxpayer who is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.11, in respect of that partnership, on account of the taxpayer's tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ends shall pay, for the taxation year in which a subsequent fiscal period ends, a tax equal to the amount determined in the second paragraph, where

(*a*) a particular property is acquired by the partnership from a person or partnership in the particular fiscal period;

(*b*) the cost of the particular property was a qualified expenditure to the partnership;

(*c*) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year in which the particular fiscal period ends; and

(*d*) in the subsequent fiscal period and after 23 February 1998, the partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the subsequent fiscal period ends, in relation to the particular property, if the taxpayer's share of the income or loss of the partnership for the fiscal period in which the preceding taxation year ends had been the same as the taxpayer's share for the subsequent fiscal period:

(*a*) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(*b*) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.6.** For the purposes of sections 1129.0.10.2 to 1129.0.10.5, the cost of a particular property to a taxpayer shall not exceed the amount paid by the taxpayer to acquire the particular property from a transferor of the particular property and does not include amounts paid by the taxpayer to maintain, modify or transform the particular property.

"**1129.0.10.7.** Sections 1129.0.10.2 to 1129.0.10.5, 1129.0.10.8 and 1129.0.10.9 do not apply to a taxpayer or partnership, in this section referred to as the "transferor", that disposes of a property to a person or partnership that does not deal at arm's length with the transferor, if the person or partnership acquired the property in circumstances where the cost of the property to the person or partnership would have been an expenditure described in subparagraph iii of subparagraph *b* or *c* of the first paragraph of section 230 or an expenditure to which the definition of "qualified expenditure" in section 1029.8.9.1 refers, without reference to paragraph *d* of section 1029.8.15.1.

"**1129.0.10.8.** A person, in this section referred to as the "purchaser", shall pay for a particular taxation year a tax equal to the amount determined in the second paragraph, where, at any particular time in the year and after

23 February 1998, the purchaser begins to use for commercial purposes, or disposes of without having used for commercial purposes, a property

(*a*) that was acquired by the purchaser in circumstances described in section 1129.0.10.7 or that is another property that incorporates a property acquired in such circumstances ; and

(*b*) that was first acquired, or that incorporates a property that was first acquired, by a person or partnership, in this section referred to as the "original user", with which the purchaser did not deal at arm's length at the time at which the purchaser acquired the property, in the original user's taxation year or fiscal period that includes the particular time, on the assumption that the original user had such a taxation year or fiscal period, or in any of the original user's preceding taxation years or fiscal periods.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the purchaser has paid to the Minister under this section for a taxation year preceding the particular taxation year, in relation to the property :

(*a*) the amount

i. included in the amount that the original user is deemed to have paid to the Minister under Division II or II.3 of Chapter III.1 of Title III of Book IX of Part I, in relation to the property, or

ii. where the original user is a partnership, that can reasonably be considered to be included in the amount that a taxpayer is deemed to have paid to the Minister under section 1029.8 or 1029.8.11, in relation to the property ; and

(*b*) the product obtained by multiplying the percentage that was applied by the original user in determining the amount referred to in subparagraph *a* by

i. if the property or the other property is disposed of to a person who deals at arm's length with the purchaser, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.9.** Every taxpayer who is a member of a particular partnership at the end of a particular fiscal period of the partnership shall pay, for the taxation year in which the particular fiscal period ends, a tax equal to the amount determined in the second paragraph, where, at any particular time in the particular fiscal period and after 23 February 1998, the particular partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, a property

(*a*) that was acquired by the particular partnership in circumstances described in section 1129.0.10.7 or that is another property that incorporates a property acquired in such circumstances ; and

(*b*) that was first acquired, or that incorporates a property that was first acquired, by a person or partnership, in this section referred to as the "original user", with which the particular partnership did not deal at arm's length at the time at which the particular partnership acquired the property, in the original user's taxation year or fiscal period that includes the particular time, on the assumption that the original user had such a taxation year or fiscal period, or in any of the original user's preceding taxation years or fiscal periods.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the particular fiscal period ends, in relation to the property, if the taxpayer's share of the income or loss of the particular partnership for the fiscal period in which the preceding taxation year ends had been the same as the taxpayer's share for the particular fiscal period :

(*a*) the amount

i. included in the amount that the original user is deemed to have paid to the Minister under Division II or II.3 of Chapter III.1 of Title III of Book IX of Part I, in relation to the property, or

ii. where the original user is a partnership, that can reasonably be considered to be included in the amount that a taxpayer is deemed to have paid to the Minister under section 1029.8 or 1029.8.11, in relation to the property ; and

(*b*) the product obtained by multiplying the percentage that was applied by the original user in determining the amount referred to in subparagraph *a* by

i. if the property or the other property is disposed of to a person who deals at arm's length with the particular partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

"**1129.0.10.10.** Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part."

(2) Subsection 1 applies in respect of property that is disposed of or begins to be used for commercial purposes after 23 February 1998.

215. (1) Section 1129.17 of the said Act is amended by replacing the word "four" by the word "nine".

(2) Subsection 1 applies in respect of dispositions made after 23 February 1998.

216. (1) Section 1129.21 of the said Act is amended by replacing the word "four" by the word "nine".

(2) Subsection 1 applies in respect of dispositions made after 23 February 1998.

217. (1) Section 1129.64 of the said Act, enacted by section 290 of chapter 5 of the statutes of 2000, is amended by replacing, in subparagraph ii of subparagraph *c* of the second paragraph, "$40,000" by "$50,000".

(2) Subsection 1 applies from the taxation year 1999.

218. (1) The said Act, amended by chapters 5, 8, 14, 25, 29, 39 and 56 of the statutes of 2000, by chapter 7 of the statutes of 2001 and by chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing "paragraph *e*" by "subparagraph *e* of the first paragraph" in the following provisions:

— the portion of the first paragraph of section 93.4 before subparagraph *a*;

— section 93.6;

— the second paragraph of section 94.1;

— paragraph *a* of section 97;

(2) by replacing the words "d'un autre organisme public" by the words "d'une autre administration" wherever they appear in the French text of the following provisions:

— the portion of section 101 before paragraph *a*;

— section 101.4;

— the portion of section 106.2 before paragraph *a*;

— section 106.3;

— paragraph *c*.0.1 of section 359;

— the definition of "aide gouvernementale" in the first paragraph of section 1029.6.0.0.1;

— the definition of "aide gouvernementale" in section 1130;

(3) by replacing "paragraph *f*" by "subparagraph *f* of the first paragraph" in the following provisions:

— the portion of the first paragraph of section 149 before subparagraph *a*;

— section 251;

— the portion of section 280 before paragraph *a*;

— the portion of section 333.1 before paragraph *a*;

— section 430;

(4) by replacing "48" by "47.18" in the following provisions:

— paragraph *a* of section 296;

— section 302;

— section 303;

— paragraph *f* of section 345;

— the portion of subparagraph *a* of the first paragraph of section 726.9.2 before subparagraph i;

— subparagraph 1 of subparagraph i of subparagraph *a* of the first paragraph of section 726.9.2;

— subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 726.9.2;

— subparagraph *a* of the second paragraph of section 726.9.2;

— subparagraph v of paragraph *b* of section 785.1;

— subparagraph iv of paragraph *b* of section 785.2;

(5) by replacing the words "college centre for technology transfer" by the words "college centre for the transfer of technology" wherever they appear in the English text of the following provisions:

— paragraph *a*.1 of section 1029.8.1;

— the definition of “eligible college centre for technology transfer” in the first paragraph of section 1029.8.21.17;

— the first paragraph of section 1029.8.21.22;

— the first paragraph of section 1029.8.21.23;

— section 1029.8.21.31;

(6) by replacing the words “un autre organisme public canadien” by the words “une autre administration au Canada” in the French text of the following provisions:

— the definition of “paiement contractuel” in the first paragraph of section 1029.8.36.0.4;

— the definition of “paiement contractuel” in the first paragraph of section 1029.8.36.0.17;

— the definition of “paiement contractuel” in the first paragraph of section 1029.8.36.4;

(7) by replacing the word “certifies” by the word “attests” in the English text of the following provisions:

— the portion of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.55 before subparagraph 1;

— the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.55 before subparagraph 1;

— subparagraphs i to iv of subparagraph *b* of the first paragraph of section 1029.8.36.55;

— subparagraphs i to iv of subparagraph *a* of the first paragraph of section 1029.8.36.55.1;

— subparagraphs i to iv of subparagraph *b* of the first paragraph of section 1029.8.36.55.1.

(2) Paragraphs 1 and 3 of subsection 1 have effect from 24 February 1998.

ACT RESPECTING THE MINISTÈRE DU REVENU

219. (1) Section 14.4 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by inserting, after the first paragraph, the following paragraph:

"If the transferred property is a share in undivided property, the fair market value of the share in that undivided property at the time of the transfer is deemed to be equal to the proportion of the fair market value of the undivided property at that time that that share is of the aggregate of the shares in that undivided property."

(2) Subsection 1 applies in respect of transfers of shares in undivided property made after 4 June 1999.

220. Section 64 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 64 of the Act respecting the Ministère du Revenu*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*) and by section (*insert the number of the section in Bill 10 that amends section 64 of the Act respecting the Ministère du Revenu*) of chapter (*insert the chapter number of Bill 10*) of the statutes of (*insert the year of assent to Bill 10*), is again amended by replacing "section 59.3, 59.4 or 59.5" by "section 59, 59.3, 59.4 or 59.5".

ACT RESPECTING THE QUÉBEC PENSION PLAN

221. Section 50.0.1 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by replacing, in the portion before paragraph *a*, the word "company" by the words "legal person".

222. Section 52.1 of the said Act is amended by replacing, in the first paragraph, the word "partnership" by the words "legal person".

223. Section 65 of the said Act is amended by replacing the second paragraph by the following:

"Such application shall be made in prescribed form and sent to the Minister by registered mail."

ACT RESPECTING PROPERTY TAX REFUND

224. Section 1.1.1 of the Act respecting property tax refund (R.S.Q., chapter R-20.1) is replaced by the following:

"**1.1.1.** For the purposes of the definition of "family income" in section 1, where a person was not, for the purposes of the Taxation Act (chapter I-3), resident in Canada throughout a year, the person's income for the year, determined under Part I of that Act, is deemed to be equal to the income that would be determined in respect of the person for the year under that Part if the income were computed with reference to Title II of Book V.2.1 of that Part and if the person had, for the purposes of that Act, been resident in Québec and in Canada throughout the year."

225. (1) Section 49 of the Act respecting income security (R.S.Q., chapter S-3.1.1), as the said Act read before the coming into force of section 206 of chapter 36 of the statutes of 1998, which provides for its replacement, is amended

(1) by replacing subparagraph 6 of the third paragraph by the following:

"(6) an amount that would be deductible, in computing the adult's income under Part I of the Taxation Act, if

(*a*) section 336.0.3 of the said Act were read as follows:

"**336.0.3.** A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid."; and

(*b*) section 336.0.4 of the said Act were read as follows:

"**336.0.4.** A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the amount by which the amount referred to in the second paragraph, to the extent that the amount was not deducted in computing the taxpayer's income for a preceding taxation year, and was not taken into account in computing, for a preceding taxation year, the total income of the family within the meaning of the third paragraph of section 49 of the Act respecting income security (chapter S-3.1.1), exceeds the portion of the amount in respect of which section 334.1 applied for a preceding taxation year, as that section read for that preceding year.

The amount to which the first paragraph refers is an amount that the taxpayer paid in the year or in one of the two preceding taxation years under an order of a competent tribunal as a repayment of an amount that

(*a*) was included under any of paragraphs *a* to *b*.1 of section 312, as it read for that preceding taxation year, in computing the taxpayer's income for a preceding year, or that should have been so included had the taxpayer not made the election provided for in section 309.1, as it read for that preceding year; or

(*b*) would have been included under section 312.4 in computing the taxpayer's income for the year or a preceding taxation year if, from the taxation year 1997, the version of that section enacted by subparagraph 1 of the fifth paragraph of section 49 of the Act respecting income security had applied."";

(2) by replacing the fifth paragraph by the following:

"For the purposes of the third paragraph, the income computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act is the income that would be so computed if

(1) section 312.4 of that Act were read as follows:

"**312.4.** A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received."; and

(2) section 312.5 of that Act were read as follows:

"**312.5.** A taxpayer shall also include any amount received under an order of a competent tribunal as a reimbursement of an amount deducted under any of paragraphs *a* to *b* of subsection 1 of section 336, as it read for that preceding year, in computing the taxpayer's income for a preceding taxation year, or that could have been so deducted were it not for section 334.1, as it read for that preceding year, or that would have been deductible under section 336.0.3 in computing the taxpayer's income for the year or a preceding taxation year if, from the taxation year 1997, the version of that section enacted by subparagraph *a* of subparagraph 6 of the third paragraph of section 49 of the Act respecting income security (chapter S-3.1.1) had applied.""

(2) Subsection 1 applies in respect of determinations of benefits for the year 1998 and subsequent years. In addition, where section 49 of the said Act, amended by subsection 1, applies in respect of determinations of benefits for the year 1997, it shall be read with the following paragraph inserted after the third paragraph:

"For the purpose of determining the total income computed in subparagraph *c* of the first paragraph of section 776.29 of the Taxation Act for the purposes of the third paragraph, sections 312.4 and 336.0.3 of the Taxation Act shall be read as follows:

"**312.4.** A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received.";

"**336.0.3.** A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid.""

(3) Notwithstanding section 61 of the said Act, the Minister of Revenue may redetermine the amount of an adult's benefit for a year solely for the purpose of taking into account an amount that is required to be taken into

account in computing the total income of the adult's family and that the adult or the adult's spouse paid or received as a reimbursement of an amount of support.

ACT RESPECTING INCOME SUPPORT, EMPLOYMENT ASSISTANCE AND SOCIAL SOLIDARITY

226. (1) Section 79 of the Act respecting income support, employment assistance and social solidarity (R.S.Q., chapter S-32.001), amended by section (*insert the number of the section in Bill 30 that amends section 79 of the Act respecting income support, employment assistance and social solidarity*) of chapter (*insert the chapter number of Bill 30*) of the statutes of (*insert the year of assent to Bill 30*), is again amended

(1) by replacing subparagraph 5 of the third paragraph, as it read before being struck out, by the following:

"(5) an amount that would be deductible, in computing the adult's income under Part I of the Taxation Act, if

(*a*) section 336.0.3 of the said Act were read as follows:

"**336.0.3.** A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid."; and

(*b*) section 336.0.4 of the said Act were read as follows:

"**336.0.4.** A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the amount by which the amount referred to in the second paragraph, to the extent that the amount was not deducted in computing the taxpayer's income for a preceding taxation year, and was not taken into account in computing, for a preceding taxation year, the total income of the family within the meaning of the third paragraph of section 79 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), exceeds the portion of the amount in respect of which section 334.1 applied for a preceding taxation year, as that section read for that preceding year.

The amount to which the first paragraph refers is an amount that the taxpayer paid in the year or in one of the two preceding taxation years under an order of a competent tribunal as a repayment of an amount that

(*a*) was included under any of paragraphs *a* to *b*.1 of section 312, as it read for that preceding taxation year, in computing the taxpayer's income for a preceding year, or that should have been so included had the taxpayer not made the election provided for in section 309.1, as it read for that preceding year; or

(*b*) would have been included under section 312.4 in computing the taxpayer's income for the year or a preceding taxation year if, from the taxation year 1997, the version of that section enacted by subparagraph 1 of the fifth paragraph of section 79 of the Act respecting income support, employment assistance and social solidarity had applied."";

(2) by replacing the fifth paragraph by the following:

"For the purposes of the third paragraph, the income computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act is the income that would be so computed if

(1) section 312.4 of that Act were read as follows:

"**312.4.** A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received."; and

(2) section 312.5 of that Act were read as follows:

"**312.5.** A taxpayer shall also include any amount received under an order of a competent tribunal as a reimbursement of an amount deducted under any of paragraphs *a* to *b* of subsection 1 of section 336, as it read for that preceding year, in computing the taxpayer's income for a preceding taxation year, or that could have been so deducted were it not for section 334.1, as it read for that preceding year, or that would have been deductible under section 336.0.3 in computing the taxpayer's income for the year or a preceding taxation year if, from the taxation year 1997, the version of that section enacted by subparagraph *a* of subparagraph 5 of the third paragraph of section 79 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) had applied.""

(2) Subsection 1 applies in respect of determinations of benefits made between 30 September 1999 and 1 January 2002.

ACT RESPECTING THE QUÉBEC SALES TAX

227. (1) Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), amended by section 26 of chapter 25 of the statutes of 2000, by section 218 of chapter 56 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 1 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by inserting the following definition in alphabetical order:

""bank" means a bank or an authorized foreign bank within the meaning of section 2 of the Bank Act (Revised Statutes of Canada, 1985, chapter B-1);";

(2) by inserting the following definition in alphabetical order:

""spouse" of a particular individual at any time means an individual who is the spouse of the particular individual at that time for the purposes of the Income Tax Act;";

(3) by replacing, in the definition of "direct cost", paragraph 2 by the following:

"(2) for an article or material, other than capital property of the supplier, that was purchased by the supplier, to the extent that the article or material is to be incorporated into or is to form a constituent or component part of the property, or is to be consumed or expended directly in the process of manufacturing, producing, processing or packaging the property;

and, for the purposes of this definition, the following rules apply:

(1) the consideration paid or payable by the supplier for property or a service is deemed to include any tax imposed under this Title that is payable by the supplier in respect of the acquisition or bringing into Québec of the property or service by the supplier, excluding the portion of tax, other than tax that became payable by the supplier at a time when the supplier was a registrant that is recovered or recoverable by the supplier; and

(2) that consideration is determined without taking into account the portion of the duty, fee or tax referred to in section 52, other than tax imposed under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), that is recovered or recoverable by the supplier;";

(4) by inserting the following definition in alphabetical order:

""secured creditor" means

(1) a particular person who has a security interest in the property of another person; or

(2) a person who acts on behalf of the particular person with respect to the security interest and includes

(*a*) a trustee appointed under a trust deed relating to a security interest,

(*b*) a receiver or receiver-manager appointed by the particular person or appointed by a court on the application of the particular person,

(*c*) a sequestrator, or

(*d*) any other person performing a function similar to that of a person referred to in any of subparagraphs *a* to *c*;";

(5) by inserting the following definition in alphabetical order:

""security interest" means any interest in property that secures payment or performance of an obligation, and includes an interest created by or arising out of a security, hypothec, mortgage, lien, pledge, charge, deemed or actual trust, assignment or encumbrance of any kind whatever, however or whenever arising, created, deemed to arise or otherwise provided for;";

(6) by striking out the definition of "former spouse";

(7) by replacing, in the definition of "related convention supplies", paragraphs 2 and 3 by the following:

"(2) entertainment,

"(3) except for the purposes of sections 357.2 to 357.5, property or services that are food or beverages or are supplied to the person under a contract for catering, or";

(8) by inserting the following definition in alphabetical order:

""straddle plant" means a natural gas processing plant devoted primarily to the recovery of natural gas liquids or ethane from natural gas that is transported by pipeline to the plant by a common carrier of natural gas;";

(9) by replacing the definition of "mineral" by the following:

""mineral" includes petroleum, natural gas and related hydrocarbons, sand, gravel, ammonite gemstone, bituminous sands, calcium chloride, coal, kaolin, oil shale and silica;";

(10) by inserting the following definition in alphabetical order:

""continuous transmission commodity" means electricity, crude oil, natural gas, or any corporeal movable property, that is transportable by means of a wire, pipeline or other conduit;";

(11) by replacing, in the definition of "financial service", paragraph 17 by the following:

"(17) where the supplier is a person who provides management or administrative services to an investment plan, a corporation, partnership or trust the principal activity of which is the investing of funds, the provision to the investment plan, corporation, partnership or trust of

(*a*) a management or administrative service, or

(*b*) any other service, other than a prescribed service;".

(2) Paragraph 1 of subsection 1 has effect from 28 June 1999.

(3) Paragraph 3 of subsection 1 applies in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due. However, in respect of supplies made before 27 November 1997, other than supplies in respect of which the supplier charges the recipient an amount as or on account of tax,

(1) if all consideration for the supplies became due or was paid before 1 April 1997, subparagraph 1 of the second portion of the definition of "direct cost" in section 1 of the said Act shall be read as follows:

"(1) the consideration paid or payable by the supplier for property or a service is deemed to include any tax imposed under this Title that is payable by the supplier in respect of the acquisition or bringing into Québec of the property or service by the supplier, excluding the portion of tax that is recovered or recoverable by the supplier; and"; and

(2) if part of the consideration for the supplies becomes due after 31 March 1997 or is paid after 31 March 1997 without having become due, the second portion of the definition of "direct cost" in section 1 of the said Act shall be read as follows:

"and, for the purposes of this definition, the consideration paid or payable by the supplier for property or a service is deemed to include any tax imposed under this Title that is payable by the supplier in respect of the acquisition or bringing into Québec of the property or service;".

(4) Paragraphs 4 and 5 of subsection 1 have effect from 8 October 1998.

(5) Paragraph 7 of subsection 1 applies in respect of property or services acquired or brought into Québec in connection with a convention, all the supplies of admissions to which are made after 24 February 1998.

(6) Paragraphs 8 and 10 of subsection 1 have effect from 7 August 1998.

(7) Paragraph 9 of subsection 1 has effect from 1 July 1992.

(8) Paragraph 11 of subsection 1 has effect from 1 July 1992. However, in respect of supplies for which all the consideration became due or was paid before 30 July 1998,

(1) if consideration, or part of the consideration, for the supplies became due or was paid before 8 December 1994 and the supplier did not, before that date, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply, paragraph 17 of the definition of "financial service" in section 1 of the said Act shall be read as follows:

"(17) the provision of management or administrative services to a corporation, trust or partnership the principal activity of which is the investing of funds on behalf of shareholders, members or other persons;";

(2) if the consideration for the supplies became due after 7 December 1994 or was paid after that date without having become due and the supplier did not, before 30 July 1998, charge or collect any amount as or on account of tax under Title I of the said Act in respect of the supply, or the supplier charged or collected an amount as or on account of tax under Title I of the said Act in respect of the supply and the Minister of Revenue received, before 29 July 1998, an application for rebate under section 400 of the said Act in respect of the amount, or a return under Chapter VIII of the said Act in which a deduction was claimed by the supplier in respect of an adjustment, refund or credit of the amount under section 447 of the said Act, the portion of paragraph 17 of the definition of "financial service" in section 1 of the said Act before subparagraph *a* shall be read as follows:

"(17) where the supplier is a person who provides management or administrative services to a corporation, partnership or trust the principal activity of which is the investing of funds, the provision to the corporation, partnership or trust of".

228. (1) The said Act is amended by inserting, after section 10, the following section:

"**10.1.** Where, at any time, an amount, other than an amount in respect of tax under this Title, is deducted from the segregated fund of an insurer, the following rules apply:

(1) if the amount is in respect of property or a service that the fund is, because of the application of this Title other than this section, considered to have acquired from the insurer, that supply shall be deemed to be a taxable supply, other than a zero-rated supply, and the amount shall be deemed to be consideration for that supply that becomes due at that time; and

(2) if the amount is not in respect of property or a service that the fund is, because of the application of this Title other than this section, considered to have acquired either from the insurer or another person, the insurer shall be deemed to have made, and the fund shall be deemed to have received, at that time, a taxable supply, other than a zero-rated supply, of a service, and the amount shall be deemed to be consideration for the supply that becomes due at that time.

The first paragraph does not apply to an amount deducted from a segregated fund of an insurer if

(1) the amount is a distribution of income, a payment of a benefit, or the amount of a redemption, in respect of an interest of another person in the fund; or

(2) the amount is a prescribed amount."

(2) Subsection 1 applies to

(1) any amount that has been deducted after 15 March 1999 from a segregated fund of an insurer; and

(2) any amount that was deducted before 16 March 1999 from a segregated fund of an insurer and in respect of which a particular amount was deducted, before that date, from the segregated fund as or on account of tax under Title I of the said Act, unless, before that date, the Minister of Revenue received an application for a rebate under section 400 of the said Act of the particular amount, or a return in which a deduction was claimed in respect of an adjustment, refund or credit of the particular amount under section 447 of the said Act.

229. (1) Section 18 of the said Act is amended

(1) by replacing the portion before paragraph 1 by the following:

"**18.** Every recipient of a taxable supply, except a zero-rated supply, other than the zero-rated supply included in section 191.3.2, or a supply included in section 18.0.1, shall pay to the Minister a tax in respect of the supply calculated at the rate of 7.5% on the value of the consideration for the supply if the supply is";

(2) by replacing subparagraphs i and ii of subparagraph *a* of paragraph 3 by the following:

"i. made in Québec a supply by way of sale of the property or a supply of a service of manufacturing or producing the property to a person not resident in Québec, or

"ii. acquired physical possession of the property in order to make a supply of a commercial service in respect of the property to a person not resident in Québec,";

(3) by adding, after paragraph 4, the following paragraphs:

"(5) a supply of a continuous transmission commodity, if the supply is deemed under section 23 to be made outside Québec to a registrant by a person who was the recipient of a supply of the commodity that was a zero-rated supply included in section 191.3.1 or that would, but for subparagraph *e* of paragraph 1 of that section, have been included in that section, and the registrant is not acquiring the commodity for consumption, use or supply exclusively in the course of commercial activities of the registrant; or

"(6) a supply, included in section 191.3.2, of a continuous transmission commodity that is neither shipped outside Québec, as described in subparagraph 1 of the first paragraph of that section, nor supplied, as described in subparagraph 2 of the first paragraph of that section, by the recipient and the recipient is not acquiring the commodity for consumption, use or supply exclusively in the course of commercial activities of the recipient."

(2) Paragraph 1 of subsection 1 applies in respect of supplies made after 31 October 1998.

(3) Paragraph 2 of subsection 1 applies in respect of supplies made after 10 December 1998.

(4) Paragraph 3 of subsection 1 applies

(1) where it enacts paragraph 5 of section 18 of the said Act, in respect of supplies made outside Québec after 7 August 1998; and

(2) where it enacts paragraph 6 of section 18 of the said Act, in respect of supplies made after 31 October 1998.

230. (1) Section 18.0.1 of the said Act is amended, in the third paragraph, by replacing subparagraph 1 by the following:

"(1) a supply of property or a service to a registrant, other than a registrant whose net tax is determined under sections 433.1 to 433.15 or under a regulatory provision made under section 434, who acquired the property or service for consumption, use or supply exclusively in the course of commercial activities of the registrant;".

(2) Subsection 1 applies for the purpose of determining the net tax of a charity for reporting periods beginning after 24 February 1998.

231. (1) The said Act is amended by inserting, after section 22.9, the following section:

"**22.9.1.** For the purposes of section 22.8, if a supply of corporeal movable property is made by way of lease, licence or similar arrangement,

(1) where the supply is made under an arrangement under which continuous possession or use of the property is provided for a period of not more than three months and the property is delivered in Québec to the recipient, the property is deemed to be delivered in Québec for each of the supplies which, because of section 32.2, is deemed to be made;

(2) where the supply is not referred to in paragraph 1 and continuous possession or use of the property is given or made available in Québec to the recipient, possession or use of the property is deemed to be given or made available in Québec to the recipient for each of the supplies which, because of section 32.2, is deemed to be made; and

(3) where possession or use of the property is given or made available outside Canada to the recipient, possession or use of the property is deemed to be given or made available outside Canada to the recipient for each of the supplies which, because of section 32.2, is deemed to be made."

(2) Subsection 1 applies to any supply for a billing period made after 10 December 1998.

232. (1) The said Act is amended by inserting, after section 22.15, the following section:

"**22.15.1.** For the purposes of this subdivision, if section 32.3 applies in respect of the supply of a service and the service is performed in part in Québec and in part outside Canada, the part of the service that is performed outside Canada is deemed to be performed in Québec."

(2) Subsection 1 applies to any supply for a billing period made after 10 December 1998.

233. (1) Section 22.18 of the said Act is replaced by the following:

"**22.18.** A supply of any of the following services by a person, in connection with the supply by that person of a passenger transportation service, is deemed to be made in Québec if the supply of the passenger transportation service is made in Québec:

(1) a service of transporting an individual's baggage; and

(2) a service of supervising an unaccompanied child."

(2) Subsection 1 applies to any supply of a service relating to a passenger transportation service if all of the consideration for the supply becomes due after 31 December 1999 or is paid after that date without having become due.

234. (1) The said Act is amended by inserting, after section 22.18, the following section:

"**22.18.1.** A supply by a person of a service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation for a supply by that person of a passenger transportation service is deemed to be made in Québec if the supply of the passenger transportation service would be made in Québec if it were completed in accordance with the agreement relating to that supply."

(2) Subsection 1 applies to any supply of a service relating to a passenger transportation service if all of the consideration for the supply becomes due after 31 December 1999 or is paid after that date without having become due.

235. (1) The said Act is amended by inserting, after section 24.2, the following section:

"**24.3.** Except for the purposes of sections 182, 191.3.3 and 191.3.4, a continuous transmission commodity that is transported by means of a wire,

pipeline or other conduit is deemed not to be shipped outside Québec or brought into Québec in the course of that transportation or further transportation if the commodity is transported

(1) outside Québec in the course of, and solely for the purpose of, being delivered by that means from a place in Québec to another place in Québec;

(2) in Québec in the course of, and solely for the purpose of, being delivered by that means from a place outside Québec to another place outside Québec;

(3) from a place in Québec to a place outside Québec where it is stored or taken up as surplus for a period until further transported by that means to a place in Québec in the same measure and state except to the extent of any consumption or alteration necessary or incidental to its transportation; or

(4) from a place outside Québec to a place in Québec where it is stored or taken up as surplus for a period until further transported by that means to a place outside Québec in the same measure and state except to the extent of any consumption or alteration necessary or incidental to its transportation."

(2) Subsection 1 applies to the transportation of continuous transmission commodities from a place of origin to a destination, including any intermediate transportation to or from a place at which the commodities are stored or taken up as surplus, if the transportation from the place of origin begins after 7 August 1998.

236. (1) The said Act is amended by inserting, after section 32.2, the following section:

"**32.2.1.** If a recipient of a supply by way of lease, licence or similar arrangement of corporeal moveable property exercises an option to purchase the property that is provided for under the arrangement and the recipient begins to have possession of the property under the agreement of purchase and sale of the property at the same time and place as the recipient ceases to have possession of the property as lessee or licensee under the arrangement, that time and place is deemed to be the time and place at which the property is delivered to the recipient in respect of the supply by way of sale of the property to the recipient."

(2) Subsection 1 has effect from 1 April 1997 and applies in respect of any option to purchase exercised after 31 March 1997.

237. (1) The said Act is amended by inserting, after section 39.2, the following sections:

"**39.3.** For the purposes of sections 39.3 to 41,

"estimated reserves" of minerals means the estimated quantities of minerals that geological and engineering data demonstrate, with reasonable certainty, to be recoverable under existing economic and operating conditions;

"farm-out agreement" means an agreement referred to in section 39.4;

"natural resource right" means

(1) a right to exploit a mineral deposit;

(2) a right to explore for a mineral deposit;

(3) a right of entry or user relating to a right referred to in paragraph 1 or 2; or

(4) a right to an amount computed by reference to the production, including profit, from, or to the value of production from, a mineral deposit;

"specified mining or well-site equipment", in relation to the exploration or development of unproven property under a farm-out agreement, means

(1) equipment, installations and structures for use at a mine site in the production of minerals from the mine and not in the milling, smelting, refining or other processing of the minerals after production; and

(2) equipment, installations and structures for use at a well site in the production of minerals from the well, including a heater, dehydrator or other well-site facility for the initial treatment of substances produced from the well to prepare such production for transportation but excluding

(*a*) any equipment, installation, structure or facility that serves or is intended to serve a well that has not been drilled in the course of the exploration or development under that agreement, and

(*b*) any equipment, installation, structure or facility for use in the refining of oil or the processing of natural gas including the separation therefrom of liquid hydrocarbons, sulphur or other joint products or by-products;

"unproven property" means an immovable for which estimated reserves of minerals have not been established.

"**39.4.** If, under an agreement in writing between a person (in this section referred to as the "farmor") and another person (in this section referred to as the "farmee"), the farmor transfers to the farmee particular natural resource rights, or portions of them, relating to unproven property in consideration or part consideration for the farmee undertaking the exploration of the property for mineral deposits, providing information, or the right to it, gathered from the exploration and, subject to any conditions that may be provided in the agreement, developing the property for the production of minerals, the following rules apply:

(1) the value, as consideration, of any property or service given by the farmor to the farmee under the agreement is deemed to be nil to the extent that the property or service is given as consideration for any of the following (each of which is referred to in this section as the "farmee's contribution"):

(*a*) the undertaking of that exploration or development,

(*b*) the provision of that information, or the right to it, and

(*c*) any transfer under the agreement by the farmee to the farmor of any interest in specified mining or well-site equipment that is used by the farmee exclusively in that exploration or development;

(2) the value of the farmee's contribution as consideration for any property or service given by the farmor to the farmee under the agreement is deemed to be nil; and

(3) if part of the consideration given by the farmor for the farmee's contribution is property or a service (each of which is referred to in this paragraph as the "farmor's additional contribution") that is not a natural resource right relating to unproven property,

(*a*) the farmee is deemed to have made, at the place at which the unproven property is situated, a taxable supply of a service to the farmor separate from any supply by the farmee under the agreement and that service is deemed to be consideration for the farmor's additional contribution,

(*b*) the value of that service and the value of the farmor's additional contribution as consideration for the supply of that service are each deemed to be equal to the fair market value of the farmor's additional contribution determined at the time (in this paragraph referred to as the "time of transfer") that

i. if the farmor's additional contribution is a service, performance of the service commences, and

ii. in any other case, ownership of the farmor's additional contribution is transferred to the farmee,

(*c*) all of the consideration for the farmor's additional contribution and the consideration for the service deemed to have been supplied by the farmee are deemed to become due at the time of transfer, and

(*d*) if, in addition to the farmee's contribution, the farmee supplies to the farmor other property or services, other than the service deemed under subparagraph *a* to have been supplied, for which part of the consideration is the farmor's additional contribution, the value of the consideration for the supply of the other property or services is deemed to be equal to the amount by which the value of that consideration, determined without reference to this

subparagraph, exceeds the fair market value of the farmor's additional contribution."

(2) Subsection 1 has effect from 1 July 1992. However, in respect of agreements entered into before 8 August 1998, section 39.4 of the said Act, enacted by subsection 1, shall be read without reference to paragraph 3.

238. (1) Section 52 of the said Act is replaced by the following:

"**52.** For the purposes of this section, "provincial levy" means a duty, fee or tax imposed under an Act of the legislature of Québec, another province, the Northwest Territories or the Yukon Territory in respect of the supply, consumption or use of property or a service.

The consideration for a supply of property or a service includes

(1) any duty, fee or tax imposed under an Act of Canada that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the production, importation into Canada, consumption or use of the property or service;

(2) any provincial levy that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the consumption or use of the property or service, other than tax payable under this Title and the prescribed duties, fees or taxes payable by the recipient;

(3) any other amount that is collectible by the supplier under an Act of the legislature of Québec, another province, the Northwest Territories or the Yukon Territory that is equal to, or is collectible on account of or in lieu of, a provincial levy, except where the amount is payable by the recipient and the provincial levy is a prescribed duty, fee or tax.

If, under Title I, a person is deemed to be the recipient of a supply in respect of which another person would, but for that deeming, be the recipient, a reference in this section to the recipient of the supply shall be read as a reference to that other person."

(2) Subsection 1, except where it enacts the third paragraph of section 52 of the said Act, has effect from 1 July 1992.

(3) Subsection 1, where it enacts the third paragraph of section 52 of the said Act, has effect from 4 June 1999.

239. (1) The said Act is amended by inserting, after section 54.1, the following sections:

"**54.1.1.** If a person (in this section and sections 54.1.2 to 54.1.5 referred to as the "lessee") makes a supply by way of sale of corporeal movable property to another person (in this section referred to as the "lessor"),

the lessee is not required to collect tax in respect of that supply and the lessor immediately makes a taxable supply of the property by way of lease to the lessee under an agreement (in this section and sections 54.1.2 to 54.1.5 referred to as the "original leaseback agreement"), the value of the consideration for a supply of the property by way of lease that, at a particular time, becomes due or is paid without having become due under a particular agreement that is the original leaseback agreement or a subsequent lease in respect of that agreement, is deemed to be equal to the amount determined by the formula

A – B.

For the purposes of this formula,

(1) A is the value of the consideration as otherwise determined; and

(2) B is the amount (in this section referred to as the "purchase credit") that is equal to the lesser of

(*a*) the value of A, and

(*b*) the amount determined by the formula

C / D, or

(*c*) if there is no unused total purchase credit within the meaning of subparagraph 1 of the third paragraph, zero.

For the purposes of the formula in subparagraph *b* of subparagraph 2 of the second paragraph,

(1) C is the amount (in this section and section 54.1.5 referred to as the "unused total purchase credit") by which the consideration for the supply by way of sale exceeds the total of all amounts each of which is the purchase credit that was determined in calculating the amount deemed under this section to be the value of any consideration that, before the particular time, became due or was paid without having become due under the original leaseback agreement or a subsequent lease in respect of that agreement; and

(2) D is the specified number of remaining lease payments under the particular agreement at the particular time.

"**54.1.2.** For the purposes of section 54.1.1, "specified number of remaining lease payments", at a particular time, in respect of a particular agreement for the supply of property by way of lease that is an original leaseback agreement or a subsequent lease in respect of that agreement, is the amount determined by the formula

A – B.

For the purposes of this formula,

(1) A is the total number of payments that the lessee was obligated to make as consideration for the supplies of the property by way of lease under the particular agreement based on the terms of that agreement at the time it was entered into; and

(2) B is the total number of payments referred to in subparagraph 1 that, before the particular time, became due or were paid by the lessee.

"**54.1.3.** For the purposes of sections 54.1.1 to 54.1.5, "subsequent lease", in respect of an original leaseback agreement for the supply of property by way of lease to a lessee, means

(1) an agreement for the supply of the property by way of lease that constitutes a new agreement between the lessee and an assignee of the rights and obligations of the person who is the supplier under the original leaseback agreement or under an agreement referred to in this paragraph or paragraph 2; or

(2) an agreement for the supply of the property by way of lease to the lessee that succeeds, as a new agreement, either the original leaseback agreement or a particular agreement referred to in paragraph 1 or in this paragraph upon a renewal or variation of that original leaseback agreement or particular agreement.

"**54.1.4.** For the purposes of sections 54.1.1, 54.1.2 and 54.1.5, where a supplier agrees, at any time, to renew, vary, terminate, otherwise than upon the exercise of an option to purchase, or assign a particular agreement for the supply of property by way of lease that is an original leaseback agreement or a subsequent lease in respect of that agreement and the renewal, variation, termination or assignment does not constitute a novation of the particular agreement but has the effect of changing the number of payments that the lessee is obligated to make for supplies by way of lease of the property under the particular agreement, the following rules apply:

(1) the supplier and lessee are deemed to have, at that time, entered into a subsequent lease in respect of the original leaseback agreement; and

(2) all supplies by way of lease for which consideration becomes due, or is paid without having become due, at or after the time the renewal, variation, termination or assignment takes effect that would, but for this section, be made under the particular agreement are deemed to be made under that subsequent lease and not under the particular agreement.

"**54.1.5.** Except for a purpose contemplated in paragraph 1 of section 54.2, if a supply of property by way of sale is made to a lessee on the exercise by the lessee of an option to purchase the property provided for in an original leaseback agreement entered into by the lessee in respect of the property, or in

a subsequent lease in respect of that agreement, to which section 54.1.1 applied, and immediately before the earliest time at which the consideration for the supply becomes due or is paid without having become due, there is an unused total purchase credit in respect of the property, the following rules apply :

(1) the value of the consideration for the supply is deemed to be equal to the amount determined by the formula

A – B ; and

(2) section 54.1.1 does not apply to any consideration that, after that earliest time, becomes due or is paid without having become due for any supply of the property by way of lease that was made under the original leaseback agreement or under a subsequent lease in respect of that agreement.

For the purposes of this formula,

(1) A is the value of the consideration for the supply as otherwise determined ; and

(2) B is that unused total purchase credit.

"**54.1.6.** For the purposes of sections 54.1.1 to 54.1.5, if a person makes a supply of property by way of sale to a recipient with whom the person is not dealing at arm's length and the consideration for the supply exceeds the fair market value of the property at the time ownership of the property is transferred to the recipient, the consideration for the supply is deemed to be equal to that fair market value."

(2) Subject to subsection 3, subsection 1 applies to

(1) any supply of property by way of lease made by a person to a recipient under an original leaseback agreement, within the meaning of section 54.1.1 of the said Act, entered into at any time after 31 December 1998 and the supply of the property by way of sale by the recipient to the person immediately before that time ;

(2) any supply of the property by way of lease to the recipient made under a subsequent lease in respect of the original leaseback agreement, within the meaning of sections 54.1.3 and 54.1.4 of the said Act ; and

(3) any supply of the property by way of sale on the exercise of an option to purchase the property provided for in the original leaseback agreement or in a subsequent lease, within the meaning of sections 54.1.3 and 54.1.4 of the said Act, in respect of that agreement.

(3) Where the original leaseback agreement is varied or renewed with the effect of increasing the number of payments that the recipient is obligated to

make for supplies by way of lease of the property under that agreement and the variation or renewal takes effect before 1 July 1999, section 54.1.4 of the said Act does not apply to that variation or renewal.

240. (1) The said Act is amended by inserting, after section 54.2, the following section:

"**54.3.** If natural gas is transported by pipeline to a straddle plant at which natural gas liquids or ethane (each of which is referred to in this section as "natural gas liquids") is recovered from the natural gas, the residue gas is returned to the pipeline after the recovery along with other natural gas (in this section referred to as "make-up gas") that is supplied solely to make up for the loss of energy content due to the recovery, and the consideration or a part of the consideration for any supply of the natural gas liquids, or the right to recover the liquids, or any supply of make-up gas is, in the case of a supply of natural gas liquids or the right to recover the liquids, the make-up gas, and, in the case of a supply of make-up gas, the natural gas liquids or the right to recover the liquids, the value of that consideration or part, as the case may be, is deemed to be nil."

(2) Subsection 1 applies to any exchange of natural gas liquids, ethane or the right to recover natural gas liquids or ethane for make-up gas, if, after 7 August 1998 and under the agreement for that exchange, any make-up gas is given as consideration for the natural gas liquids, ethane or right to recover natural gas liquids or ethane, or any natural gas liquids, ethane or right to recover natural gas liquids or ethane is given as consideration for the make-up gas.

241. (1) Section 76 of the said Act is amended by replacing paragraph 2 by the following:

"(2) for the purposes of sections 444, 446 and 462 to 462.1.1, for the purpose of applying the provisions of this Title in respect of property or a service acquired or brought into Québec by a merged or amalgamated corporation, and for prescribed purposes and provisions, the new corporation is deemed to be the same corporation as, and a continuation of, each merged or amalgamated corporation; and".

(2) Subsection 1 applies in respect of accounts receivable purchased at face value and on a non-recourse basis if ownership of the accounts receivable is transferred to the purchaser after 31 December 1999.

242. (1) Section 77 of the said Act is amended by replacing paragraph 1 by the following:

"(1) for the purposes of sections 444, 446 and 462 to 462.1.1, for the purpose of applying the provisions of this Title in respect of property or a service acquired or brought into Québec by the other corporation as a consequence of the winding-up, and for prescribed purposes and provisions,

the other corporation is deemed to be the same corporation as, and a continuation of, the particular corporation; and".

(2) Subsection 1 applies in respect of accounts receivable purchased at face value and on a non-recourse basis if ownership of the accounts receivable is transferred to the purchaser after 31 December 1999.

243. (1) Section 81 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 81 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing paragraph 6 by the following:

"(6) goods that are brought into Québec by a particular person if the goods are supplied to the particular person by a person not resident in Québec for no consideration, other than shipping and handling charges, as replacement parts or as replacement property under a warranty;".

(2) Subsection 1 applies in respect of property brought into Québec after 10 December 1998.

244. (1) Section 99 of the said Act is replaced by the following:

"**99.** A supply of property is exempt where the property is land, a building, or that part of a building, that forms part of a residential complex or that consists solely of residential units, or a residential complex, and the supply is made by way of lease, licence or similar arrangement for a lease interval, within the meaning assigned by section 32.2, throughout which the lessee or any sub-lessee makes, or holds the property for the purpose of making, one or more supplies of the property, parts of the property or leases, licences or similar arrangements in respect of the property or parts thereof and all or substantially all of those supplies are

(1) exempt supplies described by section 98 or 100; or

(2) supplies that are made, or are reasonably expected to be made, to other lessees or sub-lessees described in this section."

(2) Subsection 1 has effect from 1 July 1992. However,

(1) for the period beginning on 1 July 1992 and ending on 31 December 1992, section 99 of the said Act shall be read as follows:

"**99.** A supply of an immovable that is land or a building, or that part of a building that consists solely of residential units, made to a particular person by way of lease, licence or similar arrangement for a period during which the supply by the particular person or by any other person of the immovable or a lease, licence or similar arrangement in respect of the immovable, or of all or substantially all of the residential units in the building or leases, licenses or

similar arrangements in respect of residential units in the building, or parts of the land or leases, licences or similar arrangements in respect of parts of the land, as the case may be, is exempt under section 98 or 100, is exempt." ; and

(2) for the period beginning on 1 January 1993 and ending on 31 March 1997, section 99 of the said Act shall be read with "32.2" replaced by "31.1", and the French text thereof shall be read with the words "une période de location" replaced by the words "un intervalle de location".

245. (1) Section 101 of the said Act is amended by replacing the portion before paragraph 2 by the following :

"**101.** A supply by way of sale of a parking space that is the subject of a declaration of co-ownership entered in the land register made by a supplier to a person is exempt if

(1) the supplier, at the same time or as part of the same supply, makes a supply, included in any of sections 94 to 96, by way of sale to the person of a residential unit held in co-ownership described by that declaration ; and".

(2) Subsection 1 applies in respect of supplies made after 10 December 1998.

246. (1) Section 101.1 of the said Act is amended by replacing paragraph 2 by the following :

"(2) made to the owner, lessee or person in occupation or possession of a residential unit held in co-ownership described by a declaration of co-ownership entered in the land register if the space is the subject of that declaration ; or".

(2) Subsection 1 applies in respect of supplies made after 10 December 1998.

247. (1) Section 106 of the said Act is replaced by the following :

"**106.** A supply of property or a service, made by a corporation or syndicate established upon the registration in the land register of a declaration of co-ownership, to the owner or lessee of a residential unit held in co-ownership described by that declaration, is exempt if the property or service relates to the occupancy or use of the unit."

(2) Subsection 1 has effect in respect of supplies for which consideration becomes due after 10 December 1998 or is paid after 10 December 1998 without having become due.

248. (1) Section 108 of the said Act is amended, in the definition of "practitioner",

(1) by replacing the portion before paragraph 1 by the following :

""practitioner" means a person who practices the profession of audiology, chiropody, chiropractic, dietetics, occupational therapy, optometry, osteopathy, physiotherapy, podiatry or psychology in Québec and who";

(2) by striking out paragraph 3.

(2) Paragraph 1 of subsection 1 has effect from 1 January 1997. However, in respect of supplies made after 31 December 1996 and before 1 January 2001, the portion before paragraph 1 of the definition of "practitioner" in section 108 of the said Act shall be read as follows:

""practitioner" means a person who practices the profession of audiology, chiropody, chiropractic, dietetics, occupational therapy, optometry, osteopathy, physiotherapy, podiatry, psychology or speech therapy in Québec and who".

(3) Paragraph 2 of subsection 1 has effect from 1 May 1999 and applies in respect of supplies made after 30 April 1999.

249. (1) Section 109 of the said Act is amended by replacing the first paragraph by the following:

"**109.** A supply of an institutional health care service made by the operator of a health care institution, when rendered to a patient or resident, is exempt."

(2) Subsection 1 applies in respect of supplies made after 10 December 1998.

250. (1) Section 114 of the said Act is replaced by the following:

"**114.** A supply of an audiological, chiropodic, chiropractic, occupational therapy, optometric, osteopathic, physiotherapy, podiatric or psychological service, when rendered to an individual, is exempt where the supply is made by a practitioner."

(2) Subsection 1 applies in respect of supplies made after 31 December 1997. However, in respect of supplies made after 31 December 1997 and before 1 January 2001, section 114 of the said Act shall be read as follows:

"**114.** A supply of an audiological, chiropodic, chiropractic, occupational therapy, optometric, osteopathic, physiotherapy, podiatric, psychological or speech therapy service, when rendered to an individual, is exempt where the supply is made by a practitioner."

251. (1) Section 130 of the said Act is replaced by the following:

"**130.** A supply of an educational service that consists in instructing individuals in, or administering examinations in respect of, language courses that form part of a program of second-language instruction in either English or

French is exempt, where the supply is made by a school authority, vocational school, public college or university or in the course of a business established and operated primarily to provide instruction in languages."

(2) Subsection 1 applies in respect of supplies made after 30 April 1999.

252. (1) Section 136 of the said Act is amended by adding the following paragraph:

"However, the supply does not include a supply of a service of supervising an unaccompanied child made by a person in connection with a taxable supply by that person of a passenger transportation service."

(2) Subsection 1 applies in respect of supplies of child care services for which all of the consideration becomes due after 31 December 1999 or is paid after 31 December 1999 without having become due.

253. (1) The said Act is amended by inserting, after section 137, the following section:

"**137.1.** A supply of a service of providing care and supervision to a person with limited physical or mental capacity for self-supervision and self-care due to an infirmity or disability is an exempt supply if the service is rendered primarily at an establishment of the supplier."

(2) Subsection 1 applies in respect of services rendered after 24 February 1998.

(3) If a supply referred to in section 137.1 of the said Act includes the provision of services during a period beginning before 25 February 1998 and ending after 24 February 1998, for the purposes of Title I of the said Act, the provision of the services during the part of the period before 25 February 1998 is deemed to be a separate supply made for separate consideration equal to the portion of the total consideration that is reasonably attributable to the services rendered during that part of the period and the provision of the remaining services is deemed to be a separate supply made for separate consideration equal to the portion of the total consideration that is reasonably attributable to those remaining services.

(4) If, as a result of the coming into force of section 137.1 of the said Act, a person ceases to use capital property of the person, or reduces the extent to which capital property of the person is used, in commercial activities of the person, and the person is deemed under section 243, 253, 258, 259, 261 or 262 of the said Act to have made a supply of the property, or a portion of it, and to have collected tax in respect of the supply, the following rules apply:

(1) the person is not required to include the tax in determining the net tax of the person for any reporting period; and

(2) the person is deemed, for the purpose of determining the basic tax content of the property, to have been entitled to recover an amount equal to the tax as a rebate of tax included in A in the formula in the definition of "basic tax content" in section 1 of the said Act.

254. (1) Section 138.1 of the said Act is amended by inserting, after paragraph 4, the following paragraph:

"(4.1) a specified service as defined in section 350.17.1 if the supply is made to a registrant at a time when a designation of the charity under sections 350.17.1 to 350.17.4 is in effect;".

(2) Subsection 1 applies in respect of supplies made by a charity in reporting periods of the charity beginning after 24 February 1998.

255. (1) Section 138.6 of the said Act is amended by replacing paragraph 2 by the following:

"(2) if the charity charges the recipient an amount as tax in respect of the supply, the consideration for the supply, determined without reference to tax imposed under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax imposed under Part IX of the Excise Tax Act and without reference to any tax that became payable under this Title at a time when the charity was a registrant."

(2) Subsection 1 applies in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

256. (1) The said Act is amended by inserting, after section 138.6, the following section:

"**138.6.1.** A supply made by a charity of food, beverages or short-term accommodation is exempt if the supply is made in the course of an activity the purpose of which is to relieve poverty, suffering or distress of individuals and is not fund-raising."

(2) Subsection 1 applies in respect of

(1) supplies for which all of the consideration becomes due after 31 December 1999 or is paid after 31 December 1999 without having become due; and

(2) any supply for which consideration became due or was paid after 31 December 1996 and before 1 January 2000, unless the charity charged or collected any amount as or on account of tax under Title I of the said Act in respect of that supply.

257. (1) Section 148 of the said Act is amended by replacing paragraph 2 by the following:

"(2) if the body charges the recipient an amount as tax in respect of the supply, the consideration for the supply, determined without reference to tax imposed under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), does not, and could not reasonably be expected to, equal or exceed the direct cost of the supply determined without reference to tax imposed under Part IX of the Excise Tax Act and without reference to any tax that became payable under this Title at a time when the body was a registrant."

(2) Subsection 1 applies in respect of supplies for which consideration becomes due after 31 December 1996 or is paid after 31 December 1996 without having become due.

258. (1) Section 174 of the said Act is amended by replacing subparagraphs *c* and *d* of paragraph 1 by the following:

"(*c*) a drug or other substance included in the schedule to Part G of the Food and Drug Regulations made under the Food and Drugs Act;

"(*d*) a drug that contains a substance included in the schedule to the Narcotic Control Regulations made under the Controlled Drugs and Substances Act (Statutes of Canada, 1996, chapter 19), other than a drug or mixture of drugs that may be sold to a consumer without a prescription pursuant to that Act or regulations made under that Act; and".

(2) Subsection 1 has effect from 14 May 1997.

259. (1) Section 176 of the said Act is amended

(1) by replacing paragraph 8 by the following:

"(8) a supply of ophthalmic lenses, with or without frames, when the lenses are, or are to be, supplied on the written order of an eye-care professional for the treatment or correction of a defect of vision of a consumer named in the order, where the eye-care professional is entitled under the laws of Québec, another province, the Northwest Territories or the Yukon Territory in which the professional practices to prescribe lenses for such purpose;";

(2) by replacing paragraph 33 by the following:

"(33) a supply of a service, other than a service the supply of which is included in any provision of Division II of Chapter III except section 116 and a service related to the provision of a surgical or dental service that is performed for cosmetic purposes and not for medical or reconstructive purposes, of maintaining, installing, modifying, repairing or restoring a property described in any of paragraphs 1 to 31 and 36 to 39, or any part of such a property where the part is supplied in conjunction with the service;".

(2) Paragraph 1 of subsection 1 has effect in respect of supplies made after 8 October 1999.

(3) Paragraph 2 of subsection 1 has effect in respect of supplies made after 23 April 1996.

260. (1) Section 179 of the said Act is amended

(1) by replacing paragraphs 1 to 4 by the following:

"(1) in the case of property that is a continuous transmission commodity that the recipient intends to ship outside Québec by means of a wire, pipeline or other conduit, the recipient is not registered under Division I of Chapter VIII;

"(2) the recipient ships the property outside Québec as soon after the property is delivered by the person to the recipient as is reasonable having regard to the circumstances surrounding the shipment outside Québec and, where applicable, to the normal business practice of the recipient;

"(3) the property is not acquired by the recipient for consumption, use or supply in Québec before the shipment of the property outside Québec by the recipient;

"(4) after the supply is made and before the recipient ships the property outside Québec, the property is not further processed, transformed or altered in Québec except to the extent reasonably necessary or incidental to its transportation; and";

(2) by adding, after paragraph 4, the following paragraph:

"(5) the person maintains evidence satisfactory to the Minister of the shipment of the property outside Québec by the recipient or, where the recipient is authorized under section 427.3, the recipient provides the person with a certificate in which the recipient certifies that the property will be shipped outside Québec in the circumstances described in paragraphs 2 to 4."

(2) Subsection 1 has effect in respect of supplies of property made after 31 October 1998.

261. (1) The said Act is amended by inserting, after section 180.2, the following section:

"**180.3.** A supply of an air navigation service, as defined in subsection 1 of section 2 of the Civil Air Navigation Services Commercialization Act (Statutes of Canada, 1996, chapter 20), made to a person who is registered under Division I of Chapter VIII at the time the supply is made, is a zero-rated supply if

(1) the person carries on a business of transporting passengers or property to or from Québec, or between places outside Québec, by aircraft; and

(2) the air navigation service is acquired by the person for use in the course of so transporting passengers or property."

(2) Subsection 1 applies in respect of services performed after 31 March 1997.

262. (1) Section 190 of the said Act is replaced by the following:

"**190.** A supply of corporeal movable property, other than a continuous transmission commodity that is being transported by means of a wire, pipeline or other conduit, is a zero-rated supply if the supplier

(1) ships the property to a destination outside Québec that is specified in the contract for carriage of the property;

(2) transfers possession of the property to a common carrier or consignee that has been retained, to ship the property to a destination outside Québec, by

(*a*) the supplier on behalf of the recipient, or

(*b*) the recipient's employer; or

(3) sends the property by mail or courier to an address outside Québec."

(2) Subsection 1 applies to any supply made after 7 August 1998. However, in respect of supplies made before 1 May 1999, section 190 of the said Act shall be read as follows:

"**190.** A supply of corporeal movable property, other than a continuous transmission commodity that is being transported by means of a wire, pipeline or other conduit, is a zero-rated supply if the supplier delivers the property to a common carrier, or mails the property, for shipment outside Québec."

263. (1) Section 191 of the said Act is amended by replacing paragraph 1 by the following:

"(1) a supply of corporeal movable property or of a service performed in respect of corporeal movable property or an immovable where the property or service is acquired by the person for the purpose of fulfilling an obligation of the person under a warranty;".

(2) Subsection 1 applies in respect of supplies of services made after 10 December 1998.

264. (1) Section 191.3 of the said Act is amended by replacing the portion before paragraph 4 by the following:

"**191.3.** A supply of natural gas made by a person to a recipient who is not registered under Division I of Chapter VIII and who intends to ship the gas outside Québec by pipeline is a zero-rated supply if

(1) the recipient ships the gas outside Québec as soon after it is delivered to the recipient by the supplier of the gas as is reasonable, or, where the recipient receives a supply of a service provided for a period in respect of the gas referred to in section 191.3.3 and subsequently ships the gas outside Québec as soon after it is delivered to the recipient as is reasonable at the end of the period having regard to the circumstances surrounding the shipment outside Québec and, where applicable, to the normal business practice of the recipient;

(2) the gas is not acquired by the recipient for consumption or use in Québec, other than by a carrier as fuel or compressor gas to transport the gas by pipeline, or for supply in Québec, other than to supply natural gas liquids or ethane as described in section 54.3, before the shipment of the gas outside Québec by the recipient;

(3) after the supply is made and before being shipped outside Québec, the gas is not further processed, transformed or altered in Québec, except to the extent reasonably necessary or incidental to its transportation, other than to recover natural gas liquids or ethane from the gas at a straddle plant; and".

(2) Subsection 1 has effect in respect of supplies of natural gas for which consideration becomes due after 7 August 1998 or is paid after that date without having become due. However, where the portion before paragraph 1 of section 191.3 of the said Act applies in respect of supplies made before 30 November 1998, it shall be read without reference to "who is not registered under Division I of Chapter VIII and".

265. (1) The said Act is amended by inserting, after section 191.3, the following sections:

"**191.3.1.** The following supplies are zero-rated supplies:

(1) a supply of a continuous transmission commodity made by a supplier (in this section referred to as the "first seller") to a person (in this section referred to as the "first buyer") who is not registered under Division I of Chapter VIII, if

(*a*) the first buyer makes a supply of the commodity to a registrant and delivers it in Québec to the registrant,

(*b*) all or part of the consideration for the first buyer's supply of the commodity to the registrant is property of the same class or kind delivered to the first buyer outside Québec,

(*c*) after the commodity is delivered to the first buyer and before the first buyer delivers it to the registrant,

i. the first buyer does not use the commodity except, in the case of natural gas, to the extent that it is used by a carrier as fuel or compressor gas to transport the gas by pipeline, and

ii. the commodity is not, except to the extent reasonably necessary or incidental to its transportation, further processed, transformed or altered other than, in the case of natural gas, to recover natural gas liquids or ethane from the gas at a straddle plant,

(*d*) after the first seller's supply is made and before the registrant receives delivery of the commodity, the commodity is not transported by any means other than a wire, pipeline or other conduit, and

(*e*) the first seller maintains evidence satisfactory to the Minister of the first buyer's supply of the commodity to the registrant ; and

(2) a supply of any service, supplied by the registrant to the first buyer, of arranging for or effecting the exchange of the commodity for the property of the same class or kind, if the first buyer is a person not resident in Québec.

"**191.3.2.** A particular supply made by a supplier to a recipient who is registered under Division I of Chapter VIII of a continuous transmission commodity is a zero-rated supply if the recipient provides the supplier with a declaration in writing that

(1) the recipient intends to ship the commodity outside Québec by means of a wire, pipeline or other conduit in the circumstances described in paragraphs 1 to 3 of section 191.3 in the case of natural gas, or paragraphs 2 to 4 of section 179 in any other case, or

(2) the recipient intends to supply the commodity in the circumstances described in subparagraphs *a* to *d* of paragraph 1 of section 191.3.1.

The first paragraph applies provided that, if the recipient subsequently neither ships the commodity outside Québec in accordance with subparagraph 1 of the first paragraph nor supplies it in accordance with subparagraph 2 of the first paragraph, it is the case that the supplier did not know, and could not reasonably be expected to have known, at or before the latest time at which tax in respect of the particular supply would have become payable if the supply were not a zero-rated supply, that the recipient would neither so ship the commodity outside Québec nor so supply the commodity.

"**191.3.3.** A supply made by a person to a recipient not resident in Québec who is not registered under Division I of Chapter VIII of a service of storing natural gas for a period, or of taking up surplus natural gas of the recipient for a period, and returning the gas to the recipient at the end of the period is a zero-rated supply if

(1) at the end of the period, the gas is to be delivered to the recipient to be shipped outside Québec ;

(2) at the end of the period, where the gas is exported outside Canada, the recipient holds a valid licence or order for the shipment of the natural gas issued under the National Energy Board Act (Revised Statutes of Canada, 1985, chapter N-6); and

(3) it is not the case that, at or before the latest time at which tax in respect of the supply would have become payable if the supply had not been a zero-rated supply, the person knew or could reasonably be expected to have known either that

(*a*) the recipient would not ship the gas outside Québec as soon after the end of the period as is reasonable, having regard to the circumstances surrounding the shipment outside Québec and, where applicable, to the normal business practice of the recipient, or

(*b*) the gas would not be shipped outside Québec

i. in the same measure as was stored or taken up except for any loss due to its use by a carrier as fuel or compressor gas for transporting the gas by pipeline, and

ii. in the same state except to the extent of any processing or alteration reasonably necessary or incidental to its transportation or necessary to recover natural gas liquids or ethane from the gas at a straddle plant.

"**191.3.4.** A supply made by a supplier to a recipient not resident in Québec who is not registered under Division I of Chapter VIII of a service of taking up surplus electricity of the recipient for a period and returning the electricity to the recipient at the end of the period or of deferring delivery of electricity supplied to the recipient at the beginning of a period until the end of the period is a zero-rated supply if

(1) the electricity is shipped outside Québec by the supplier or recipient

(*a*) in the same measure and state except for any consumption or alteration reasonably necessary or incidental to its transportation, and

(*b*) as soon after the end of the period as is reasonable having regard to the circumstances surrounding the shipment outside Québec and, where applicable, to the normal business practice of the shipper; and

(2) at the end of the period, where the electricity is exported outside Canada, the requirement under the National Energy Board Act (Revised Statutes of Canada, 1985, chapter N-6), with respect to the holding of a valid licence, order or permit for the export of the electricity issued under that Act, is met."

(2) Subsection 1, where it enacts sections 191.3.1, 191.3.3 and 191.3.4 of the said Act, applies in respect of supplies of continuous transmission

commodities delivered in Québec, and to supplies of services, for which consideration becomes due after 7 August 1998 or is paid after that date without having become due. However, with respect to supplies made before 30 November 1998,

(1) paragraph 1 of section 191.3.1 of the said Act shall be read without reference to "who is not registered under Division I of Chapter VIII,"; and

(2) paragraph 2 of section 191.3.1 of the said Act shall be read as follows:

"(2) a supply of any service by the registrant to the first buyer, of arranging for or effecting the exchange of the commodity for the property of the same class or kind, if the first buyer is a person not resident in Québec who is not registered under Division I of Chapter VIII."

(3) Subsection 1, where it enacts section 191.3.2 of the said Act, has effect in respect of supplies made after 31 October 1998.

266. (1) Section 193 of the said Act is amended by replacing the definition of "continuous outbound freight movement" by the following:

""continuous outbound freight movement" means the transportation of corporeal movable property by one or more carriers from a place in Québec to a place outside Québec, or to another place in Québec from which the property is to be taken outside Québec, where, after the shipper of the property transfers possession of the property to a carrier and before the property is taken outside Québec, it is not, except to the extent that is reasonably necessary or incidental to its transportation, further processed, transformed or altered in Québec, other than, in the case of natural gas being transported by pipeline, to recover natural gas liquids or ethane from the gas at a straddle plant;".

(2) Subsection 1 has effect from 7 August 1998 and applies in respect of supplies of transportation services for which consideration becomes due after that date or is paid after that date without having become due.

267. (1) Section 194 of the said Act is amended

(1) by replacing paragraph 2 by the following:

"(2) a supply of any of the following services made by a person in connection with the supply by that person of a passenger transportation service included in paragraph 1:

(*a*) a service of transporting an individual's baggage, and

(*b*) a service of supervising an unaccompanied child;";

(2) by adding the following paragraphs:

"(4) a supply by a person of a service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation for a supply by that person of a passenger transportation service that would, if it were completed in accordance with the agreement for that supply, be included in paragraph 1;

"(5) a supply to a person of a service of acting as a mandatary in making a supply on behalf of that person of a service that would, if it were completed in accordance with the agreement for that supply, be included in paragraph 1."

(2) Subsection 1 applies in respect of supplies of services relating to passenger transportation services if all of the consideration for the supplies becomes due after 31 December 1999 or is paid after 31 December 1999 without having become due.

268. (1) The said Act is amended by inserting, after the heading of subdivision II of subdivision 4 of Division II of Chapter V of Title I, the following section:

"**222.6.** For the purposes of sections 223 to 231.1, a reference to "by way of lease" in respect of land shall be read as a reference to "by way of lease, licence or similar arrangement"."

(2) Subsection 1 has effect from 20 October 2000.

269. (1) Section 223 of the said Act is amended by replacing subparagraph ii of subparagraph *b* of subparagraph 1 of the second paragraph by the following:

"ii. the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment; or".

(2) Subsection 1 has effect from 20 October 2000.

270. (1) Section 225 of the said Act is amended

(1) by replacing subparagraph 1 of the first paragraph by the following:

"(1) to have made and received, at the latest of the time the construction or substantial renovation is substantially completed, the time possession of the unit referred to in subparagraphs *a* and *a*.1 of subparagraph 1 of the second paragraph is given as set out in those subparagraphs, and the time the unit referred to in subparagraph *b* of that subparagraph 1 is occupied as set out in that subparagraph, a taxable supply by way of sale of the complex; and";

(2) by inserting, after subparagraph *a* of subparagraph 1 of the second paragraph, the following subparagraph:

"(*a*.1) gives possession of any residential unit in the complex to a particular person under an agreement for

i. the supply by way of sale of the building or part thereof forming part of the complex, and

ii. the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment, or".

(2) Subsection 1 has effect from 26 November 1997 and applies in any case where a builder of a residential complex gives possession of a residential unit in the complex after 25 November 1997, except if such possession is given under an agreement in writing entered into before 26 November 1997 for the supply by way of sale of the building or part thereof forming part of the residential complex.

271. (1) Section 226 of the said Act is amended

(1) by replacing subparagraph 1 of the first paragraph by the following:

"(1) to have made and received, at the latest of the time the construction of the addition is substantially completed, the time possession of the unit referred to in subparagraphs *a* and *a*.1 of subparagraph 1 of the second paragraph is given as set out in those subparagraphs, and the time the unit referred to in subparagraph *b* of that subparagraph 1 is occupied as set out in that subparagraph, a taxable supply by way of sale of the addition; and";

(2) by inserting, after subparagraph *a* of subparagraph 1 of the second paragraph, the following subparagraph:

"(*a*.1) gives possession of any residential unit in the addition to a particular person under an agreement for

i. the supply by way of sale of the building or part thereof forming part of the complex, and

ii. the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment, or".

(2) Subsection 1 has effect from 26 November 1997 and applies in any case where a builder of an addition to a residential complex gives possession of a residential unit in the addition after 25 November 1997, except if such possession is given under an agreement in writing entered into before 26 November 1997 for the supply by way of sale of the building or part thereof forming part of the residential complex.

272. (1) Section 267 of the said Act is replaced by the following:

"**267.** If a registrant is a public service body, other than a government, or a prescribed mandatary of the Government, sections 240 to 244 apply, with the necessary modifications, to an immovable acquired by the registrant for use as capital property of the registrant or, in the case of section 241, to improvements

to an immovable that is capital property of the registrant, as if the immovable were movable property."

(2) Subsection 1 has effect from 29 January 1999.

273. (1) Section 268 of the said Act is amended by replacing paragraphs 1 and 2 by the following:

"(1) a supply of a residential complex or an interest in one made by way of sale; or

"(2) a supply of an immovable made by way of sale to an individual."

(2) Subsection 1 has effect from 29 January 1999.

274. (1) Section 297.1 of the said Act is amended by replacing the definition of "sales aid" by the following:

""sales aid" of a person who is a direct seller or a distributor of a direct seller means

(1) property, other than an exclusive product of the direct seller, that is a customized business form or a sample, demonstration kit, promotional or instructional item, catalogue or other movable property acquired, manufactured or produced by the person for sale to assist in the distribution, promotion or sale of exclusive products of the direct seller, but does not include property that is sold, or held for sale, by the person to an independent sales contractor of the direct seller who is acquiring the property for use as capital property; and

(2) the service of shipping or handling, or processing an order for, either property included in paragraph 1 or an exclusive product of the direct seller;".

(2) Subsection 1 has effect from 24 February 1998. However, paragraph 2 of the definition of "sales aid" in section 297.1 of the said Act applies to a service only if no consideration for the supply of the service became due, or was paid, before 25 February 1998.

275. (1) The said Act is amended by inserting, after section 297.7, the following sections:

"**297.7.0.1.** A direct seller may deduct the amount determined under subparagraph 4 in determining the net tax for the particular reporting period of the direct seller in which the amount is paid, or credited in favour of, an independent sales contractor of the direct seller, or for a subsequent reporting period, in a return under Chapter VIII filed by the direct seller within four years after the day on which the return under that chapter for the particular reporting period is required to be filed if

(1) the direct seller has made a supply of an exclusive product of the direct seller in circumstances in which an amount was required under paragraph 4 of section 297.2 to be added in determining the net tax of the direct seller;

(2) a particular independent sales contractor of the direct seller has or would have, but for subparagraph 2 of the first paragraph of section 297.5, also made a supply of the exclusive product to a person with whom the particular independent sales contractor was dealing at arm's length, other than the direct seller and another independent sales contractor of the direct seller;

(3) the direct seller has obtained evidence satisfactory to the Minister that the consideration and the tax payable in respect of the supply by the particular independent sales contractor have become in whole or in part a bad debt and that the amount of the bad debt has, at a particular time, been written off in the books of account of the particular independent sales contractor; and

(4) the direct seller pays to, or credits in favour of, the particular independent sales contractor an amount in respect of the exclusive product equal to the amount determined by the formula

A × B/C.

For the purposes of this formula,

(1) A is the tax payable in respect of the supply made by the particular independent sales contractor;

(2) B is the total of the consideration and tax in respect of that supply remaining unpaid and written off at a particular time as a bad debt; and

(3) C is the total of the consideration and tax payable in respect of that supply.

"**297.7.0.2.** If all or part of a bad debt in respect of which a direct seller has made a deduction under section 297.7.0.1 is recovered, the direct seller shall, in determining the net tax for the direct seller's reporting period in which the bad debt or that part is recovered, add the amount determined by the formula

A × B/C.

For the purposes of this formula,

(1) A is the amount recovered;

(2) B is the tax payable in respect of the supply to which the bad debt relates; and

(3) C is the total of the consideration and tax payable in respect of that supply."

(2) Subsection 1 applies in respect of bad debts relating to supplies made after 24 February 1998.

276. (1) The said Act is amended by inserting, after section 297.7.4, the following sections:

"**297.7.4.1.** The distributor of a direct seller may deduct the amount determined under subparagraph 4 in determining the net tax for the particular reporting period of the distributor in which the amount is paid, or credited in favour of, an independent sales contractor of the distributor, or for a subsequent reporting period, in a return under Chapter VIII filed by the distributor within four years after the day on which the return under that chapter for the particular reporting period is required to be filed if

(1) the distributor has made a supply of an exclusive product of the direct seller in circumstances in which an amount was required under paragraph 4 of section 297.7.1 to be added in determining the net tax of the distributor;

(2) a particular independent sales contractor of the direct seller, other than the distributor, has or would have, but for subparagraph 2 of the first paragraph of section 297.7.2, also made a supply of the exclusive product to a person with whom the particular independent sales contractor was dealing at arm's length, other than the direct seller, the distributor and another independent sales contractor of the direct seller;

(3) the distributor has obtained evidence satisfactory to the Minister that the consideration and the tax payable in respect of the supply by the particular independent sales contractor have become in whole or in part a bad debt and that the amount of the bad debt has, at a particular time, been written off in the books of account of the particular independent sales contractor; and

(4) the distributor pays to, or credits in favour of, the particular independent sales contractor an amount in respect of the exclusive product equal to the amount determined by the formula

$A \times B/C$.

For the purposes of this formula,

(1) A is the tax payable in respect of the supply made by the particular independent sales contractor;

(2) B is the total of the consideration and tax in respect of that supply remaining unpaid and written off at a particular time as a bad debt; and

(3) C is the total of the consideration and tax payable in respect of that supply.

"**297.7.4.2.** If all or part of a bad debt in respect of which the distributor of a direct seller has made a deduction under section 297.7.4.1 is recovered, the distributor shall, in determining the net tax for the distributor's reporting period in which the bad debt or that part is recovered, add the amount determined by the formula

A × B/C.

For the purposes of this formula,

(1) A is the amount recovered;

(2) B is the tax payable in respect of the supply to which the bad debt relates; and

(3) C is the total of the consideration and tax payable in respect of that supply."

(2) Subsection 1 applies in respect of bad debts relating to supplies made after 24 February 1998.

277. (1) Section 300.2 of the said Act is amended by replacing subparagraph *b* of paragraph 1 by the following:

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of that supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was transferred by 7.5/107.5, except where

i. the supply is a zero-rated supply, or

ii. in the case of property that was, at the time it was transferred, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property, tax would not have been payable had the property been purchased in Québec from the person at that time; and".

(2) Subsection 1 has effect from 1 April 1997. However, for the period beginning on 1 April 1997 and ending on 31 December 1997, subparagraph *b* of paragraph 1 of section 300.2 of the said Act shall be read with "7.5/107.5" replaced by "6.5/106.5".

278. (1) Section 301 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 301 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing the second paragraph by the following:

"The insurer is deemed to have received a supply by way of sale of the property immediately before that time for consideration equal to the

consideration for the supply referred to in subparagraph 1 of the first paragraph and, except if the supply is a zero-rated supply, to have paid, immediately before that time, all tax payable in respect of the supply deemed under this paragraph to have been received, which is deemed to be equal to the amount determined by the formula

A – B."

(2) Subsection 1 has effect from 1 April 1997.

279. (1) Section 301.2 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 301.2 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing the portion before subparagraph 2 of the first paragraph by the following:

"**301.2.** The rules set out in the second paragraph apply if

(1) at a particular time an insurer to whom movable property has been transferred from a person in circumstances in which section 298 applies makes a taxable supply of the property by way of lease, licence or similar arrangement for the first lease interval, within the meaning of section 32.2, in respect of the arrangement;";

(2) by replacing the second paragraph by the following:

"The insurer is deemed to have received a supply by way of sale of the property immediately before the particular time and, except if the supply is a zero-rated supply, to have paid, immediately before the particular time, all tax payable in respect of the supply, which is deemed to be equal to tax calculated on the fair market value of the property at the time it was transferred."

(2) Paragraph 1 of subsection 1 applies in respect of lease intervals that begin after 31 March 1997.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

280. (1) The said Act is amended by inserting, after Division IV of Chapter VI of Title I, the following:

"**DIVISION IV.1**

"PERFORMANCE BONDS

"**301.4.** If a person (in this section referred to as the "surety") acting as a surety under a performance bond in respect of a contract for a particular

taxable supply of construction services relating to an immovable situated in Québec carries on the particular construction that is undertaken in full or partial satisfaction of the surety's obligations under the bond and is entitled to receive at any time from the creditor, by reason of carrying on the particular construction, an amount (in this section referred to as a "contract payment"), the following rules apply:

(1) in carrying on the particular construction, the surety is deemed to be making, at the place where the particular supply was made, a taxable supply other than a zero-rated supply;

(2) sections 68, 334, 337 and 337.1 do not apply to that supply; and

(3) the contract payment is deemed to be consideration for that supply.

For the purposes of the first paragraph,

(1) a reference to a particular person carrying on construction includes a reference to the particular person engaging another person, by way of acquiring services from the other person, to carry on construction for the particular person; and

(2) a contract payment does not include an amount the tax in respect of which was or will be required to be included in determining the net tax of the debtor under the performance bond and is not an amount paid or payable as or on account of either tax under this Title or a duty, fee or tax payable by the creditor that is prescribed for the purposes of section 52."

(2) Subsection 1 applies in relation to a surety if,

(1) after 8 October 1998, the surety begins to carry on the particular construction or first engages another person to carry on the particular construction unless, before 9 October 1998,

(*a*) any amount that is a contract payment in respect of the particular construction became due from or was paid by the creditor to the surety, and

(*b*) the surety did not charge or collect any amount as or on account of tax under Title I of the said Act in respect of the amount; or

(2) before 9 October 1998, the surety begins to carry on the particular construction or first engages another person to carry on the particular construction and

(*a*) the surety charged or collected an amount as or on account of tax under Title I of the said Act in respect of each amount, if any, that is a contract payment in respect of the particular construction and that, before 9 October 1998, became due from or was paid by the creditor to the surety, and

(*b*) the surety did not adjust, refund or credit, in accordance with sections 447 to 450 of the said Act, the amount referred to in subparagraph *a* that was charged or collected as or on account of tax.

281. (1) Section 323.3 of the said Act is amended by replacing subparagraph *b* of paragraph 1 by the following:

"(*b*) to have paid, immediately after the particular time, all tax payable in respect of the supply, which is deemed to be equal to the amount determined by multiplying the fair market value of the property at the time it was seized or repossessed by 7.5/107.5, except where

i. the supply is a zero-rated supply, or

ii. in the case of property that was, at the time it was seized or repossessed, specified corporeal movable property having a fair market value in excess of the prescribed amount in respect of the property, tax would not have been payable had the property been purchased in Québec from the person at that time; and".

(2) Subsection 1 has effect from 1 April 1997. However, for the period beginning on 1 April 1997 and ending on 31 December 1997, subparagraph *b* of paragraph 1 of section 323.3 of the said Act shall be read with "7.5/107.5" replaced by "6.5/106.5".

282. (1) Section 324 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 324 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing the second paragraph by the following:

"The creditor is deemed to have received a supply by way of sale of the property immediately before that time for consideration equal to the consideration for the supply referred to in subparagraph 1 of the first paragraph and, except if the supply is a zero-rated supply, to have paid, immediately before that time, all tax payable in respect of the supply deemed under this paragraph to have been received, which is deemed to be equal to the amount determined by the formula

A – B."

(2) Subsection 1 has effect from 1 April 1997.

283. (1) Section 324.2 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 324.2 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended

(1) by replacing the portion before subparagraph 2 of the first paragraph by the following:

"**324.2.** The rules set out in the second paragraph apply if

(1) at a particular time a creditor who has seized or repossessed movable property from a person in circumstances in which section 320 applies makes a taxable supply of the property by way of lease, licence or similar arrangement for the first lease interval, within the meaning of section 32.2, in respect of the arrangement;";

(2) by replacing the second paragraph by the following:

"The creditor is deemed to have received a supply by way of sale of the property immediately before the particular time and, except if the supply is a zero-rated supply, to have paid, immediately before the particular time, all tax payable in respect of the supply, which is deemed to be equal to tax calculated on the fair market value of the property at the time it was seized or repossessed."

(2) Paragraph 1 of subsection 1 applies in respect of lease intervals that begin after 31 March 1997.

(3) Paragraph 2 of subsection 1 has effect from 1 April 1997.

284. (1) The said Act is amended by inserting, after section 329, the following section:

"**329.1.** For the purposes of sections 330 to 331.4 and 334 to 336, "qualifying group" means

(1) a closely related group; or

(2) a group of qualifying partnerships, or of qualifying partnerships and corporations resident in Québec, each member of which is closely related, within the meaning of sections 331.2 and 331.3, to each other member of the group."

(2) Subsection 1 has effect from 8 October 1998.

285. (1) Section 331 of the said Act is replaced by the following:

"**331.** For the purposes of sections 329.1 to 331.4 and 334 to 336, "specified member" of a qualifying group means a person that is a corporation or a partnership that is a member of the group all or substantially all of the property of which was last manufactured, produced, acquired or brought into Québec for consumption, use or supply exclusively in the course of commercial activities of the person or, if the person has no property, all or substantially all of the supplies made by which are taxable supplies."

(2) Subsection 1 has effect from 8 October 1998.

286. (1) The said Act is amended by inserting, after section 331, the following sections :

"**331.1.** For the purposes of sections 329.1 to 331.4 and 334 to 336, "qualifying partnership" means a partnership each member of which is a corporation or partnership and is resident in Québec.

"**331.2.** For the purposes of sections 329.1 to 331.4 and 334 to 336, a particular qualifying partnership and another person that is a qualifying partnership or a corporation resident in Québec are closely related to each other at any time if, at that time, the particular partnership and the other person are registrants and

(1) if the other person is a qualifying partnership,

(*a*) all or substantially all of the interest in the other person is held by

i. the particular partnership,

ii. a corporation resident in Québec, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member, or

iii. any combination of corporations or partnerships referred to in subparagraphs i and ii, or

(*b*) the particular partnership

i. owns at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of a corporation resident in Québec that is a member of a qualifying group of which the other person is a member, or

ii. holds all or substantially all of the interest in a qualifying partnership that is a member of a qualifying group of which the other person is a member ; and

(2) if the other person is a corporation,

(*a*) at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the other person are owned by

i. the particular partnership,

ii. a corporation resident in Québec, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member, or

iii. any combination of corporations or partnerships referred to in subparagraphs i and ii,

(*b*) at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of a corporation resident in Québec are owned by

i. the other person, if the corporation is a member of a qualifying group of which the particular partnership is a member, or

ii. the particular partnership, if the corporation is a member of a qualifying group of which the other person is a member,

(*c*) all or substantially all of the interest in the particular partnership is held by

i. the other person,

ii. a corporation resident in Québec, or a qualifying partnership, that is a member of a qualifying group of which the other person is a member, or

iii. any combination of corporations or partnerships referred to in subparagraphs i and ii, or

(*d*) all or substantially all of the interest in a qualifying partnership is held by

i. the other person, if the qualifying partnership is a member of a qualifying group of which the particular partnership is a member, or

ii. the particular partnership, if the qualifying partnership is a member of a qualifying group of which the other person is a member.

"**331.3.** If, under section 331.2, two persons are closely related to the same corporation or partnership, or would be so related if that corporation, or each member of that partnership, were resident in Québec, the two persons are closely related to each other for the purposes of sections 329.1 to 331.4 and 334 to 336.

"**331.4.** For the purposes of sections 329.1 to 331.3 and 334 to 336, a person or a group of persons holds, at any time, all or substantially all of the interest in a partnership only if, at that time,

(1) the person, or every person in the group of persons, is a member of the partnership ; and

(2) the person, or the members of the group collectively, as the case may be, is or are

(*a*) entitled to receive at least 90% of

i. if the partnership had income for the last fiscal period, within the meaning of the Taxation Act (chapter I-3), of the partnership that ended before that time, or if the partnership's first fiscal period includes that time, for that fiscal period, the total of all amounts each of which is the share of that income from all sources that each member of the partnership is entitled to receive, or

ii. if the partnership had no income for the last fiscal period or the first fiscal period referred to in subparagraph i, as the case may be, the total of all amounts each of which is the share of the income of the partnership that each member of the partnership would be entitled to receive if the income of the partnership from each source were one dollar,

(*b*) entitled to receive at least 90% of the total amount that would be paid to all members of the partnership, otherwise than as a share of any income of the partnership, if it were wound up at that time, and

(*c*) able to direct the business and affairs of the partnership or would be so able if no secured creditor had any security interest in an interest in, or the property of, the partnership."

(2) Subsection 1 has effect from 8 October 1998.

287. (1) Section 334 of the said Act is amended by replacing the first paragraph by the following:

"**334.** For the purposes of this section, if a specified member of a qualifying group elects jointly with another specified member of the group, every taxable supply made between them at a time when the election is in effect is deemed to have been made for no consideration."

(2) Subsection 1 has effect from 8 October 1998.

288. (1) Section 335 of the said Act is replaced by the following:

"**335.** An election under section 334 made jointly by a particular member of a qualifying group and another member of the group ceases to have effect on the earliest of

(1) the day on which the particular member ceases to be a specified member of the group;

(2) the day on which the other member ceases to be a specified member of the group; and

(3) the day on which the election is revoked jointly by those members."

(2) Subsection 1 has effect from 8 October 1998.

289. (1) Section 350.1 of the said Act is amended by replacing the definition of "coupon" by the following:

""coupon" includes a ticket, receipt or other device but does not include a gift certificate or a barter unit within the meaning of section 350.7.1;".

(2) Subsection 1 applies

(1) for the purposes of sections 350.1 to 350.5 of the said Act, from 10 December 1998;

(2) for the purposes of those sections, to anything accepted or redeemed before that day, in determining

(*a*) any rebate under section 400 of the said Act for which an application is received by the Minister of Revenue after 9 December 1998, or

(*b*) any input tax refund or deduction claimed in a return received by the Minister after 9 December 1998.

290. (1) Section 350.4 of the said Act is replaced by the following:

"**350.4.** If a registrant accepts, in full or partial consideration for a supply of property or a service, a coupon that may be exchanged for the property or service or that entitles the recipient of the supply to a reduction of the price of the property or service and subparagraphs 1 to 3 of the first paragraph of section 350.2 do not apply in respect of the coupon, the value of the consideration for the supply is deemed to be the amount by which the value of the consideration for the supply as otherwise determined exceeds the discount or exchange value of the coupon."

(2) Subsection 1 has effect from 1 August 1997.

291. (1) Section 350.5 of the said Act is amended by replacing subparagraph 2 of the first paragraph by the following:

"(2) if the supply is not a zero-rated supply and the coupon entitled the recipient to a reduction of the price of the property or service equal to a fixed dollar amount specified in the coupon (in this section referred to as the "coupon value"), the particular person, if a registrant at the time of the payment, may claim an input tax refund for the reporting period of the particular person that includes that time equal to the tax fraction of the coupon value."

(2) Subsection 1 has effect from 1 August 1997. However, subsection 1 does not apply to a coupon if the person who pays an amount to redeem the coupon has claimed an input tax refund in respect of that amount in a return that was received by the Minister of Revenue before 26 November 1996.

292. (1) The said Act is amended by inserting, after Division XV of Chapter VI of Title I, the following:

"**DIVISION XV.1**

"BARTER EXCHANGE NETWORK

"**350.7.1.** In this division,

""administrator" of a barter exchange network means the person who is responsible for administering, maintaining or operating a system of accounts, to which barter units may be credited, of members of the network;

""barter exchange network" means a group of persons each member of which has agreed in writing to accept as full or partial consideration for the supply of property or services by that particular member to any other member of that group one or more credits (in this division referred to as "barter units") on an account of the particular member maintained or operated by a single administrator of all such accounts of the members, which credits can be used as full or partial consideration for the supply of property or services between members of that group.

"**350.7.2.** The administrator of a barter exchange network may make an application to the Minister, in prescribed form containing prescribed information and filed in prescribed manner, to have the network designated for the purposes of section 350.7.5.

"**350.7.3.** On receipt of an application by an administrator of a barter exchange network under section 350.7.2, the Minister may designate the barter exchange network for the purposes of section 350.7.5, in which case the Minister shall notify the administrator in writing of the designation and its effective date.

"**350.7.4.** On receipt of a notification by the Minister of a designation of a barter exchange network, the administrator of the network shall, within a reasonable time, notify each member of the network in writing of the designation and its effective date.

"**350.7.5.** If a member of a barter exchange network or the administrator of a barter exchange network gives, while a designation of the network under section 350.7.3 is in effect, property, a service or money in exchange for a barter unit, the value of that property, service or money as consideration for the barter unit is, notwithstanding section 55, deemed to be nil.

"**350.7.6.** Each of the following is deemed not to be a financial service:

(1) the operation, maintenance or administration of a system of accounts, to which barter units can be credited, of members of a barter exchange network;

(2) the crediting of a barter unit to such an account;

(3) the supply, receipt or redemption of a barter unit; and

(4) the agreeing to provide, or the arranging for, any service referred to in paragraphs 1 to 3."

(2) Subsection 1 has effect from 10 December 1998.

(3) If a designation of a barter exchange network under section 350.7.3 of the said Act takes effect on (*insert the date of assent to this Act*), sections 350.7.1 to 350.7.6 of the said Act apply to the giving of any property, service, or money at any time before that date, by a member of the network or the administrator of the network, in exchange for a barter unit that could have been used as full or partial consideration for supplies of property or services between members of the network as if the designation and those sections had been in effect at that time, provided that no amount was collected as or on account of tax in respect of the supply of the barter unit.

293. (1) Section 350.8 of the said Act is amended

(1) by inserting the following definition in alphabetical order:

""gaming machine" means a machine by the operation of which by a person, the person plays a game of chance in which the element of chance is provided by means of the machine, but does not include a machine that dispenses a ticket, token or other device evidencing the right to play or participate in, or receive a prize or winnings in, one or more games of chance unless the device is, for each of those games, sufficient evidence, and in the case of a printed device, contains sufficient information, to ascertain whether the holder of the device is entitled to receive a prize or winnings without reference to any other information;";

(2) by replacing the definition of "distributor" by the following:

""distributor" of an issuer means a person who

(1) as mandatary of the issuer, supplies a right of the issuer on behalf of the issuer;

(2) on the person's own behalf supplies a right of the issuer;

(3) accepts, on behalf of the issuer, a bet on a game of chance conducted by the issuer; or

(4) makes a specified gaming machine supply to the issuer;";

(3) by adding the following definition in alphabetical order:

""specified gaming machine supply" means a supply in respect of a gaming machine made to an issuer if

(1) the supply is

(*a*) of the machine, or a site at which the machine is operated, made by way of lease, licence or similar arrangement, or

(*b*) of a service of repairing or maintaining the machine, performing functions necessary to ensure its proper operation or awarding, paying or delivering prizes won in the game of chance played by its operation; and

(2) under the agreement for the supply, all or part of the consideration for the supply is determined as a percentage of the proceeds of the issuer from conducting those games."

(2) Subsection 1 has effect from 1 July 1992.

294. (1) Section 350.11 of the said Act is amended by inserting, after paragraph 1, the following paragraphs:

"(1.1) supplies made to an issuer by a distributor of the issuer of a service in respect of the acceptance, on behalf of the issuer, of bets on games of chance conducted by the issuer, including supplies of a service of managing, administering and carrying on the day-to-day operations of the issuer's gaming activities that are connected with a casino of the issuer;

"(1.2) specified gaming machine supplies made to an issuer by a distributor of the issuer; and".

(2) Subsection 1 has effect from 1 July 1992.

295. (1) The said Act is amended by inserting, after section 350.17, the following:

"**DIVISION XVII.1**

"DESIGNATED CHARITIES

"**350.17.1.** For the purposes of this division, "specified service" means any service, other than a service

(1) that is

(*a*) the care, employment or training for employment of individuals with disabilities,

(*b*) an employment placement service rendered to individuals with disabilities, or

(*c*) the provision of instruction to assist individuals with disabilities in securing employment; and

(2) the recipient of which is a public sector body or a board, commission or other body established by a government or a municipality.

"**350.17.2.** A charity may apply to the Minister, in prescribed form containing prescribed information, to be designated for the purposes of paragraph 4.1 of section 138.1 if

(1) one of the main purposes of the charity is the provision of employment, training for employment or employment placement services for individuals with disabilities or the provision of instructional services to assist such individuals in securing employment; and

(2) the charity supplies, on a regular basis, specified services that are performed, in whole or in part, by individuals with disabilities.

"**350.17.3.** On application by a charity under section 350.17.2, the Minister may, by notice in writing, designate the charity for the purposes of paragraph 4.1 of section 138.1, effective on the first day of a reporting period specified in the notice, if the Minister is satisfied that the conditions described in section 350.17.2 are met and a revocation under section 350.17.4 pursuant to a request made by the charity has not become effective in the 365-day period ending immediately before that day.

"**350.17.4.** The Minister may, by notice in writing, revoke a designation of a charity, effective on the first day of a reporting period specified in the notice, if the Minister is satisfied that the conditions described in section 350.17.2 are no longer met, or the charity makes a request in writing to the Minister that the designation be revoked and the designation had not become effective in the 365-day period ending immediately before that day."

(2) Subsection 1 has effect from 24 February 1998 and applies in respect of reporting periods beginning after that date.

296. (1) The said Act is amended by inserting, after section 350.42, the following sections:

"**350.42.1.** A charity may deduct the amount determined under the second paragraph in determining the net tax for its reporting period in which the charity is the recipient of a particular supply, other than a supply to which sections 75 and 75.1, 80 or 334 to 336 apply, made in Québec by way of sale of a used and empty returnable container that is a returnable container within the meaning of section 350.24, where

(1) the charity acquires the container for the purpose of making a supply of the container when empty, or of the by-products of a process of recycling the container, in the course of a business of the charity;

(2) the charity is not entitled to claim an input tax refund in respect of the container;

(3) if the charity at any time makes a supply of the container in respect of which tax is or would be, but for sections 75 and 75.1, 80 and 334 to 336, collectible, section 350.26 does not apply in respect of that supply; and

(4) the charity pays to the supplier, in respect of the particular supply, the total of

(*a*) the portion (in this section referred to as the "refundable deposit") of all tax or fees that were imposed in respect of the container under an Act of the Legislature of Québec respecting the regulation, control or prevention of waste and that, pursuant to that Act or an agreement entered into under that Act, is refundable to the supplier,

(*b*) if tax is payable in respect of the particular supply, the tax calculated on the refundable deposit, and

(*c*) in any other case, the amount of tax, calculated on the refundable deposit, that would be payable by the charity in respect of the particular supply if it were a taxable supply made by a registrant.

The amount that may be deducted by the charity is determined by the formula

A × B.

For the purposes of this formula,

(1) A is 7.5%; and

(2) B is the refundable deposit.

"**350.42.2.** A charity may not claim a deduction under section 350.42.1 in respect of a supply of a returnable container made to the charity unless the deduction is claimed in a return under Chapter VIII filed by the charity not later than the day on which the return under Chapter VIII is required to be filed for the last reporting period of the charity that ends within four years after the end of the reporting period in which the particular supply is made."

(2) Subsection 1 has effect in respect of any supply of a container made to a charity after 31 March 1998.

297. (1) Section 353.6 of the said Act is replaced by the following:

"**353.6.** For the purposes of this subdivision and sections 357 and 357.2 to 357.5,

"camping accommodation" means a campsite at a recreational trailer park or campground, other than a campsite included in the definition of "short-term accommodation" in section 1 or included in that part of a tour package that is not the taxable portion of the tour package, as defined in section 63, that is supplied by way of lease, licence or similar arrangement for the purpose of its occupancy by an individual as a place of residence or lodging, if the period throughout which the individual is given continuous occupancy of the campsite is less than one month; it includes water, electricity and waste disposal services, or the right to their use, if they are accessed by means of an outlet or hook-up at the campsite and are supplied with the campsite;

"tour package" has the meaning assigned by section 63, but does not include a tour package that includes a convention facility or related convention supplies."

(2) Subsection 1 has effect from 24 February 1998.

298. (1) Section 354 of the said Act is replaced by the following:

"**354.** Subject to sections 356 and 357, a person not resident in Canada is entitled to a rebate of the tax paid by the person in respect of short-term accommodation or camping accommodation if

(1) the person is the recipient of a supply made by a registrant of short-term accommodation, camping accommodation or a tour package that includes short-term accommodation or camping accommodation;

(2) the short-term accommodation, camping accommodation or tour package is acquired by the person otherwise than for supply in the ordinary course of a business of the person of making such supplies; and

(3) the short-term accommodation or camping accommodation is made available to an individual not resident in Canada."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation included in the tour package is made available to an individual not resident in Canada, is after 30 June 1998.

299. (1) Section 354.1 of the said Act is replaced by the following:

"**354.1.** Subject to sections 356 and 357, a particular person not resident in Canada is entitled to a rebate of the tax paid by the person in respect of short-term accommodation or camping accommodation if

(1) the particular person is not registered under Division I of Chapter VIII and is the recipient of a supply of the short-term accommodation, camping accommodation or a tour package that includes the short-term accommodation or camping accommodation;

(2) the short-term accommodation, camping accommodation or tour package is acquired by the person for supply in the ordinary course of a business of the person of making such supplies;

(3) a supply of the short-term accommodation, camping accommodation or tour package is made to another person not resident in Canada and payment of the consideration for that supply is made at a place outside Canada at which the supplier, or a mandatary of the supplier, is conducting business; and

(4) the short-term accommodation or camping accommodation is made available to an individual not resident in Canada."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation included in the tour package is made available to an individual not resident in Canada, is after 30 June 1998.

300. (1) Section 355 of the said Act is replaced by the following:

"**355.** If, in an application filed by a person for rebates under section 354 in respect of one or more supplies of short-term accommodation or camping accommodation that is neither acquired by the person for use in the course of a business of the person nor included in a tour package and in respect of which tax was paid by the person, the person elects to have any of those rebates determined in accordance with the formula set out in this section, the amount of tax paid in respect of each of those supplies of short-term accommodation or camping accommodation is deemed to be equal to

$A \times B$.

For the purposes of this formula,

(1) A is the total number of nights for which the short-term accommodation or camping accommodation, as the case may be, is made available under the agreement for the supply ; and

(2) B is

(*a*) in the case of short-term accommodation, $6, and

(*b*) in the case of camping accommodation, $1."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply ; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation is made available to an individual not resident in Canada, is after 30 June 1998.

301. (1) Section 355.1 of the said Act is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following :

"**355.1.** If a person files an application in which a rebate under section 354 or 354.1 is claimed in respect of one or more supplies of tour packages that include short-term accommodation or camping accommodation and in respect of which tax was paid by the person, the amount of tax paid in respect of the short-term accommodation or camping accommodation is, for each tour package, deemed to be equal to" ;

(2) by replacing the formula in subparagraph 1 of the first paragraph by the following :

"(A × $6) + (B × $1) ; and" ;

(3) by replacing the formula in subparagraph 2 of the first paragraph by the following :

"C/D × E/2." ;

(4) by inserting, after subparagraph 1 of the second paragraph, the following subparagraph :

"(1.1) B is the total number of nights for which camping accommodation included in the tour package is made available under the agreement for the supply;";

(5) by replacing subparagraphs 2, 3 and 4 of the second paragraph by the following:

"(2) C is the total number of nights for which short-term accommodation, or camping accommodation, included in the tour package is made available under the agreement for the supply of the tour package;

"(3) D is the number of nights the individual not resident in Canada to whom the short-term accommodation or camping accommodation is made available spends in Québec during the period beginning on the earliest of the first day on which overnight lodging included in the tour package is made available to the individual, the first day on which camping accommodation included in the tour package is made available to the individual and the first day any overnight transportation service included in the tour package is rendered to the individual and ending on the latest of the last day on which overnight lodging is made available to the individual, the last day on which camping accommodation is made available to the individual and the last day any such transportation service is rendered to the individual; and

"(4) E is the tax paid by the person in respect of the supply of the tour package."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation is made available to an individual not resident in Canada, is after 30 June 1998.

302. (1) Section 355.2 of the said Act is replaced by the following:

"**355.2.** For the purpose of determining, in accordance with the formula in section 355, a rebate payable under section 354 to a consumer of short-term accommodation or camping accommodation, if a registrant makes a particular supply to the consumer of short-term accommodation or camping accommodation that is made available to the consumer for any night, any other supply by the registrant to the consumer of short-term accommodation or camping accommodation, as the case may be, that is made available to the consumer for the same night is deemed not to be a supply separate from the particular supply."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply ; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation is made available to an individual not resident in Canada, is after 30 June 1998.

303. (1) Section 355.3 of the said Act is replaced by the following :

"**355.3.** For the purpose of determining, in accordance with the formula in subparagraph 1 of the first paragraph of section 355.1, the amount of a rebate payable under section 354 to a consumer of a tour package that includes short-term accommodation or camping accommodation, where a registrant makes a supply to the consumer of a particular tour package that includes short-term accommodation or camping accommodation that is made available to the consumer for any night, any other short-term accommodation or camping accommodation, as the case may be, that is included in another tour package supplied by the registrant to the consumer and made available to the consumer for the same night is deemed to be included in the particular tour package and not in any other tour package."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply ; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation is made available to an individual not resident in Canada, is after 30 June 1998.

304. (1) Section 356 of the said Act is amended

(1) by replacing subparagraphs 1 and 2 of the first paragraph by the following :

"(1) a registrant makes a supply of short-term accommodation, camping accommodation or a tour package that includes short-term accommodation or camping accommodation to a recipient not resident in Canada who either is an individual or is acquiring the short-term accommodation, camping

accommodation or tour package for use in the course of a business of the recipient or for supply in the ordinary course of a business of the recipient of making such supplies;

"(2) the registrant pays to, or credits in favour of, the recipient an amount on account of a rebate under section 354 or 354.1 to which the recipient would be entitled in respect of the short-term accommodation or camping accommodation if the recipient had paid the tax in respect of the supply and had satisfied the conditions under section 357;";

(2) by replacing subparagraph *b* of subparagraph 3 of the first paragraph by the following:

"(*b*) in the case of a short-term accommodation or camping accommodation that is not part of a tour package, the tax paid by the recipient in respect of the supply; and";

(3) by replacing the portion of subparagraph *b* of subparagraph 4 of the first paragraph before subparagraph ii of that subparagraph 4 by the following:

"(*b*) where the short-term accommodation or camping accommodation is supplied as part of a tour package that includes other property or services (other than meals or property or services that are provided or rendered by the person who provides the short-term accommodation or camping accommodation and in connection with it), a deposit of at least 20% of the total consideration for the tour package, excluding tax paid or payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), is paid

i. by the recipient to the registrant at least 14 days before the first day on which any short-term accommodation or camping accommodation included in the tour package is made available under the agreement for the supply of the tour package, and";

(4) by replacing the second paragraph by the following:

"The registrant may claim a deduction under section 455.1 in respect of the amount paid to, or credited in favour of, the recipient and the recipient is not entitled to any rebate or to any refund or remission of tax in respect of the short-term accommodation or camping accommodation."

(2) Subsection 1 applies for the purpose of determining rebates under sections 353.6 to 356.1 of the said Act

(1) in respect of short-term accommodation, or camping accommodation, that is not included in a tour package if the short-term accommodation or camping accommodation is first made available after 30 June 1998 under the agreement for the supply; and

(2) in respect of short-term accommodation, or camping accommodation, that is included in a tour package, if the first night in Québec, for which short-term accommodation or camping accommodation included in the tour package is made available to an individual not resident in Canada, is after 30 June 1998.

305. (1) Section 357 of the said Act, amended by section 178 of chapter 7 of the statutes of 2001, is again amended

(1) by striking out paragraphs 2 and 3;

(2) by replacing paragraph 6 by the following:

"(6) the total of all rebates for which the application is made that are in respect of short-term accommodation, or camping accommodation, not included in a tour package and that are determined in accordance with the formula in section 355 does not exceed $90; and";

(3) by replacing the portion of paragraph 7 before subparagraph *a* by the following:

"(7) the total of all rebates for which the application is made that are in respect of short-term accommodation, or camping accommodation, included in tour packages and that are determined in accordance with the formula in subparagraph 1 of the first paragraph of section 355.1 does not exceed";

(4) by replacing subparagraph *b* of paragraph 7 by the following:

"(*b*) in any other case, $90 for each individual to whom the short-term accommodation or camping accommodation is made available."

(2) Paragraph 1 of subsection 1 applies for the purpose of determining rebates under sections 351, 353.1, 353.2 and 353.6 to 356.1 of the said Act the application for which is received by the Minister of Revenue after 24 February 1998.

(3) Paragraphs 2, 3 and 4 of subsection 1 apply for the purpose of determining rebates under sections 351, 353.1, 353.2 and 353.6 to 356.1 of the said Act the application for which is received by the Minister of Revenue after 30 June 1998.

306. (1) Section 357.2 of the said Act is amended, in the second paragraph, by replacing subparagraphs 1 and 2 by the following:

"(1) in the case of a supply made by the organizer, to a rebate equal to the total of

(*a*) the tax paid by the sponsor calculated on that part of the consideration for the supply that is reasonably attributable to the convention facility or

related convention supplies other than property or services that are food or beverages or are supplied under a contract for catering, and

(*b*) 50% of the tax paid by the sponsor calculated on that part of the consideration for the supply that is reasonably attributable to the convention facility or related convention supplies that are food or beverages or are supplied under a contract for catering ; and

"(2) in any other case, to a rebate equal to

(*a*) if the property or services are food or beverages or are supplied under a contract for catering, 50% of the tax paid by the sponsor in respect of the supply or bringing into Québec of the property or services, and

(*b*) in any other case, the tax paid by the sponsor in respect of the supply or bringing into Québec of the property or services."

(2) Subsection 1 applies in respect of property or services acquired or brought into Québec for consumption, use or supply in connection with a convention, all the supplies of admissions to which are made after 24 February 1998.

307. (1) Section 357.4 of the said Act is replaced by the following :

"**357.4.** If an organizer of a foreign convention who is not registered under Division I of Chapter VIII pays tax in respect of a supply of the convention facility or a supply or the bringing into Québec of related convention supplies, the organizer is entitled, on the organizer's application filed within one year after the day the convention ends, to a rebate equal to the total of

(1) the tax paid by the organizer calculated on that part of the consideration for the supply that is reasonably attributable to the convention facility or related convention supplies other than property or services that are food or beverages or are supplied under a contract for catering ; and

(2) 50% of the tax paid by the organizer calculated on that part of the consideration for the supply that is reasonably attributable to the convention facility or related convention supplies that are food or beverages or are supplied under a contract for catering."

(2) Subsection 1 applies in respect of property or services acquired or brought into Québec for consumption, use or supply in connection with a convention all the supplies of admissions to which are made after 24 February 1998.

308. (1) Section 357.5 of the said Act is amended

(1) by replacing, in the first paragraph, subparagraph *b* of subparagraph 1 by the following :

"(*b*) a taxable supply, made by a registrant other than the organizer of the convention, of short-term accommodation or camping accommodation that is acquired by the person exclusively for supply in connection with the convention; and";

(2) by replacing, in the first paragraph, subparagraph 2 by the following:

"(2) the operator of the facility or supplier of short-term accommodation or camping accommodation pays to, or credits in favour of, the person an amount on account of a rebate to which the person would be entitled under section 357.2 or 357.4 in respect of the supply of the facility, short-term accommodation or camping accommodation, as the case may be, if the person had paid the tax in respect of the supply and had applied for the rebate in accordance with that section.";

(3) by replacing the second paragraph by the following:

"The operator or supplier of short-term accommodation or camping accommodation, as the case may be, may claim a deduction under section 455.1 in respect of the amount paid to, or credited in favour of, the person, and the person is not entitled to any rebate, refund or remission in respect of the tax to which the amount relates."

(2) Subsection 1 applies in respect of supplies to any person of camping accommodation that is acquired by the person for supply in connection with a convention, if the convention begins after 30 June 1998 and all of the supplies of admissions to the convention are made after 24 February 1998.

309. (1) Section 360 of the said Act is amended by replacing the first paragraph by the following:

"**360.** A rebate for a calendar year shall not be paid under section 358 to an individual unless, within four years after the end of the year or on or before such later day as the Minister may determine, the individual files with the Minister an application for the rebate, in prescribed form containing prescribed information, with the fiscal return under section 1000 of the Taxation Act (chapter I-3) that the individual is required to file, or would be required to file if the individual were liable for tax under Part I of that Act."

(2) Subsection 1 has effect from 20 October 2000.

310. (1) Section 360.6 of the said Act is replaced by the following:

"**360.6.** For the purposes of subdivision II.1, "long-term lease", in respect of land, means a lease, licence or similar arrangement under which continuous possession of the land is provided for a period of at least 20 years or a lease, licence or similar arrangement that contains an option to purchase the land."

(2) Subsection 1 has effect from 20 October 2000.

311. (1) Section 370.0.1 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 370.0.1 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by replacing subparagraph 4 of the first paragraph by the following:

"(4) the builder is deemed under section 223 or 225 to have made a supply of the complex as a consequence of giving possession of the complex to the particular individual under the agreement;".

(2) Subsection 1 has effect from 26 November 1997.

312. (1) Section 370.1 of the said Act is amended by replacing the portion before paragraph 1 by the following:

"**370.1.** The builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership who makes a supply of the complex to an individual under an agreement referred to in subparagraph 1 of the first paragraph of section 370.0.1 and transfers possession of the complex to the individual under the agreement may pay to, or credit in favour of, the individual the amount of the rebate under section 370.0.1 where".

(2) Subsection 1 applies to any rebate relating to a residential complex in respect of which an application is filed with the Minister of Revenue after 22 April 1996, unless

(1) the complex has been occupied as a place of residence or lodging between the beginning of the construction or substantial renovation of the complex and 23 April 1996;

(2) the construction or substantial renovation of the complex was substantially completed before 23 April 1996; and

(3) the person filing the application transferred ownership of the complex before 23 April 1996 to the recipient of the supply by way of sale of the complex.

313. (1) Section 378.1 of the said Act is amended by replacing the portion before paragraph 2 by the following:

"**378.1.** Subject to section 378.3, each person (in this subdivision referred to as the "landlord") who is an owner or lessee of land and is not the particular lessee and who makes an exempt supply of land described in section 99 to a particular lessee who is acquiring the land for the purpose of making a supply of an immovable that includes the land or of a lease, licence or similar arrangement in respect of an immovable that includes the land, is entitled to a rebate determined in accordance with section 378.2 where

(1) the supply made by the particular lessee is an exempt supply described in paragraph 1 of section 98 or in section 100, other than an exempt supply described in subparagraph 1 of the first paragraph of section 100 made to a person described in subparagraph *b* thereof; and".

(2) Subsection 1 has effect from 1 July 1992.

314. (1) Section 378.2 of the said Act is amended by replacing subparagraphs 1 and 2 of the second paragraph by the following:

"(1) A is the total of the tax that, before the particular time, became or would, but for sections 75.1 and 80, have become payable by the landlord in respect of the last acquisition of the land by the landlord and the tax that was payable by the landlord in respect of improvements to the land that were acquired or brought into Québec by the landlord after the land was last so acquired and that were used, before the particular time, in the course of improving the immovable that includes the land; and

"(2) B is the total of the input tax refund and all other rebates that the landlord was entitled to claim in respect of any amount included in the total referred to in subparagraph 1."

(2) Subsection 1 has effect from 10 December 1998 and applies for the purpose of determining any rebate the application for which is received by the Minister of Revenue after 9 December 1998.

315. (1) The said Act is amended by inserting, after section 382, the following:

"§4.1. — *Qualifying motor vehicles*

"**382.1.** For the purposes of this subdivision, "qualifying motor vehicle" means a motor vehicle

(*a*) that is equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle without having to collapse the wheelchair or with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability; and

(*b*) that, for as long as it has been so equipped, has never been used as capital property or been held otherwise than for supply in the ordinary course of business.

"**382.2.** The recipient is entitled to a rebate of that portion of the total tax payable in respect of the supply of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the consideration for the supply that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by

or in transporting an individual using a wheelchair or to equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability if

(1) a registrant makes a taxable supply by way of sale of the vehicle;

(2) the recipient has paid all tax payable in respect of the supply;

(3) the supplier identifies in writing to the recipient the certified amount of the purchase price of the vehicle; and

(4) the recipient files with the Minister an application for a rebate within four years after the first day on which any tax in respect of the supply becomes payable.

"**382.3.** A registrant who has made a taxable supply by way of sale of a qualifying motor vehicle may pay to or credit in favour of the recipient the amount of the rebate under section 382.2 if

(1) tax under section 16 has been paid or becomes payable in respect of the supply; and

(2) the recipient submits to the registrant, within four years after the first day on which any tax in respect of the supply becomes payable, an application for the rebate to which the recipient would be entitled under section 382.2 in respect of the vehicle if the recipient had paid all tax payable in respect of the supply and applied for the rebate in accordance with that section.

However, if the supply is a supply by way of retail sale of a motor vehicle other than a supply made following the exercise by the recipient of a right to acquire the vehicle, conferred on the recipient under an agreement in writing for the lease of the vehicle entered into with the registrant, the registrant may deduct the amount applied for by the recipient as a rebate for the amount of the tax payable which the recipient must indicate for the purposes of section 425.1.

"**382.4.** If an application of a recipient for a rebate under section 382.2 is submitted to a registrant in the circumstances described in section 382.3, the following rules apply:

(1) the registrant shall transmit the application to the Minister with the registrant's return filed under Chapter VIII for the reporting period in which an amount on account of the rebate is paid or credited by the registrant to or in favour of the recipient or, in the case referred to in the second paragraph of section 382.3, for the reporting period that includes the delivery of the motor vehicle to the recipient; and

(2) notwithstanding section 28 of the Act respecting the Ministère du Revenu (chapter M-31), interest is not payable in respect of the rebate.

"**382.5.** If, under section 382.3, a registrant pays to or credits in favour of a recipient an amount on account of a rebate and the registrant knows or ought to know that the recipient is not entitled to the rebate or that the amount paid or credited exceeds the rebate to which the recipient is entitled, the registrant and the recipient are solidarily liable to pay to the Minister the amount that was paid or credited on account of the rebate or the excess amount, as the case may be.

"**382.6.** The recipient is entitled to a rebate of that portion of the total tax payable under section 17 in respect of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the value of the vehicle, within the meaning of section 17, that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair or to equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability if

(1) the supply by way of sale of the vehicle is made outside Québec;

(2) the supplier identifies in writing to the recipient the certified amount of the purchase price of the vehicle;

(3) the recipient brings the vehicle into Québec;

(4) after the vehicle is acquired by the recipient and before the vehicle is brought into Québec, the vehicle is not used, except to the extent reasonably necessary to deliver the vehicle to a supplier of a service performed on it or to bring it into Québec, as the case may be;

(5) the recipient has paid all tax payable in respect of the bringing in; and

(6) the recipient files with the Minister an application for a rebate within four years after the first day on which the recipient brings the vehicle into Québec.

"**382.7.** If a registrant enters into a particular agreement in writing with a recipient for the taxable supply by way of lease of a qualifying motor vehicle, the following rules apply:

(1) there shall not be included, in determining the tax payable in respect of any supply to that recipient by way of lease of the vehicle made under the particular agreement or under any agreement for the variation or renewal of that lease, the portion of the consideration for that supply that is identified in writing to the recipient by the supplier and can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair or to equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability; and

(2) if, at a later time, the recipient exercises an option under the particular agreement, or under an agreement for the variation or renewal of that agreement, to purchase the vehicle, the vehicle is deemed, for the purposes of sections 382.2 and 382.6, to be a qualifying motor vehicle at that later time."

(2) Subsection 1, where it enacts section 382.1 of the said Act, has effect from 11 December 1992. However, for the period starting 11 December 1992 and ending 3 April 1998, section 382.1 of the said Act shall be read as follows :

"**382.1.** In this subdivision, "qualifying motor vehicle" means a motor vehicle

(*a*) that is equipped with a device designed exclusively to assist in placing a wheelchair in the vehicle without having to collapse the wheelchair ; and

(*b*) that, for as long as it has been so equipped, has never been used as capital property or been held otherwise than for supply in the ordinary course of business."

(3) Subsection 1, where it enacts section 382.2 of the said Act, applies in respect of supplies of qualifying motor vehicles made after 10 December 1992. However,

(1) for the period starting 11 December 1992 and ending 23 April 1996, section 382.2 of the said Act shall be read as follows :

"**382.2.** The individual is entitled to a rebate of that portion of the total tax payable in respect of the supply of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the consideration for the supply that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair if

(1) a registrant makes a taxable supply by way of sale of the vehicle ;

(2) the individual has paid all tax payable in respect of the supply ;

(3) the supplier identifies in writing to the individual the certified amount of the purchase price of the vehicle ; and

(4) the individual files with the Minister an application for a rebate within four years after the first day on which any tax in respect of the supply becomes payable." ;

(2) for the period starting 24 April 1996 and ending 3 April 1998, section 382.2 of the said Act shall be read as follows :

"**382.2.** The recipient is entitled to a rebate of that portion of the total tax payable in respect of the supply of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the consideration for the supply that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair if

(1) a registrant makes a taxable supply by way of sale of the vehicle;

(2) the recipient has paid all tax payable in respect of the supply;

(3) the supplier identifies in writing to the recipient the certified amount of the purchase price of the vehicle; and

(4) the recipient files with the Minister an application for a rebate within four years after the first day on which any tax in respect of the supply becomes payable.";

(3) in respect of supplies of qualifying motor vehicles made before 31 March 1998, the application for a rebate shall be filed with the Minister within four years after that day; and

(4) in respect of supplies of qualifying motor vehicles equipped with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability, subsection 1, where it enacts section 382.2 of the said Act, applies in respect of supplies for which a portion of the consideration becomes due after 3 April 1998 or is paid after that day without having become due.

(4) Subsection 1, where it enacts section 382.3 of the said Act, applies in respect of supplies of qualifying motor vehicles made after 10 December 1992. However,

(1) for the period starting 11 December 1992 and ending 23 April 1996, section 382.3 of the said Act shall be read as follows:

"**382.3.** A registrant who has made a taxable supply by way of sale of a qualifying motor vehicle may pay to or credit in favour of the individual the amount of the rebate under section 382.2 if

(1) tax under section 16 has been paid or becomes payable in respect of the supply; and

(2) the individual submits to the registrant, within four years after the first day on which any tax in respect of the supply becomes payable, an application for the rebate to which the individual would be entitled under section 382.2 in respect of the vehicle if the individual had paid all tax payable in respect of the supply and applied for the rebate in accordance with that section."; and

(2) for the period starting 24 April 1996 and ending 20 February 2000, section 382.3 of the said Act shall be read as follows:

"**382.3.** A registrant who has made a taxable supply by way of sale of a qualifying motor vehicle may pay to or credit in favour of the recipient the amount of the rebate under section 382.2 if

(1) tax under section 16 has been paid or becomes payable in respect of the supply; and

(2) the recipient submits to the registrant, within four years after the first day on which any tax in respect of the supply becomes payable, an application for the rebate to which the recipient would be entitled under section 382.2 in respect of the vehicle if the recipient had paid all tax payable in respect of the supply and applied for the rebate in accordance with that section."

(5) Subsection 1, where it enacts section 382.4 of the said Act, applies in respect of supplies of qualifying motor vehicles made after 10 December 1992. However,

(1) for the period starting 11 December 1992 and ending 23 April 1996, section 382.4 of the said Act shall be read as follows:

"**382.4.** If an application of an individual for a rebate under section 382.2 is submitted to a registrant in the circumstances described in section 382.3, the following rules apply:

(1) the registrant shall transmit the application to the Minister with the registrant's return filed under Chapter VIII for the reporting period in which an amount on account of the rebate is paid or credited by the registrant to or in favour of the individual; and

(2) notwithstanding section 28 of the Act respecting the Ministère du Revenu (chapter M-31), interest is not payable in respect of the rebate."; and

(2) for the period starting 24 April 1996 and ending 20 February 2000, section 382.4 of the said Act shall be read as follows:

"**382.4.** If an application of a recipient for a rebate under section 382.2 is submitted to a registrant in the circumstances described in section 382.3, the following rules apply:

(1) the registrant shall transmit the application to the Minister with the registrant's return filed under Chapter VIII for the reporting period in which an amount on account of the rebate is paid or credited by the registrant to or in favour of the recipient; and

(2) notwithstanding section 28 of the Act respecting the Ministère du Revenu (chapter M-31), interest is not payable in respect of the rebate."

(6) Subsection 1, where it enacts section 382.5 of the said Act, applies in respect of supplies of qualifying motor vehicles made after 10 December 1992. However, for the period starting 11 December 1992 and ending 23 April 1996, section 382.5 of the said Act shall be read as follows:

"**382.5.** If, under section 382.3, a registrant pays to or credits in favour of an individual an amount on account of a rebate and the registrant knows or ought to know that the individual is not entitled to the rebate or that the amount paid or credited exceeds the rebate to which the individual is entitled, the registrant and the individual are solidarily liable to pay to the Minister the amount that was paid or credited on account of the rebate or the excess amount, as the case may be."

(7) Subsection 1, where it enacts section 382.6 of the said Act, applies in respect of the bringing into Québec of qualifying motor vehicles after 10 December 1992. However,

(1) for the period starting 11 December 1992 and ending 23 April 1996, section 382.6 of the said Act shall be read as follows:

"**382.6.** The individual is entitled to a rebate of that portion of the total tax payable under section 17 in respect of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the value of the vehicle, within the meaning of section 17, that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair if

(1) the supply by way of sale of the vehicle is made outside Québec;

(2) the supplier identifies in writing to the individual the certified amount of the purchase price of the vehicle;

(3) the individual brings the vehicle into Québec;

(4) after the vehicle is acquired by the individual and before the vehicle is brought into Québec, the vehicle is not used, except to the extent reasonably necessary to deliver the vehicle to a supplier of a service performed on it or to bring it into Québec, as the case may be;

(5) the individual has paid all tax payable in respect of the bringing in; and

(6) the individual files with the Minister an application for a rebate within four years after the first day on which the individual brings the vehicle into Québec.";

(2) for the period starting 24 April 1996 and ending 3 April 1998, section 382.6 of the said Act shall be read as follows:

"**382.6.** The recipient is entitled to a rebate of that portion of the total tax payable under section 17 in respect of a qualifying motor vehicle that is equal to tax calculated on the portion (in this section referred to as the "certified amount of the purchase price") of the value of the vehicle, within the meaning of section 17, that can reasonably be attributed to special features that have been incorporated into, or adaptations that have been made to, the vehicle for the purpose of its use by or in transporting an individual using a wheelchair if

(1) the supply by way of sale of the vehicle is made outside Québec;

(2) the supplier identifies in writing to the recipient the certified amount of the purchase price of the vehicle;

(3) the recipient brings the vehicle into Québec;

(4) after the vehicle is acquired by the recipient and before the vehicle is brought into Québec, the vehicle is not used, except to the extent reasonably necessary to deliver the vehicle to a supplier of a service performed on it or to bring it into Québec, as the case may be;

(5) the recipient has paid all tax payable in respect of the bringing in; and

(6) the recipient files with the Minister an application for a rebate within four years after the first day on which the recipient brings the vehicle into Québec.";

(3) in respect of the bringing into Québec of qualifying motor vehicles before 31 March 1998, the application for a rebate shall be filed with the Minister within four years after that day; and

(4) in respect of the bringing into Québec of qualifying motor vehicles equipped with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability, subsection 1, where it enacts section 382.6 of the said Act, applies in respect of supplies for which a portion of the consideration becomes due after 3 April 1998 or is paid after that day without having become due.

(8) Subsection 1, where it enacts section 382.7 of the said Act, applies in respect of supplies by way of lease of qualifying motor vehicles made after 3 April 1998.

316. (1) Section 383 of the said Act is amended, in the definition of "non-refundable input tax charged", by adding, after subparagraph *c* of paragraph 2, the following subparagraph:

"(*d*) is included in an amount refunded, adjusted or credited to or in favour of the person for which a credit note referred to in section 449 has been received by the person or a debit note referred to in that section has been issued by the person;".

(2) Subsection 1 has effect from 10 December 1998 and applies in respect of amounts that are refunded, adjusted or credited to or in favour of any person for which a credit note is received, or a debit note is issued, by the person after that date.

317. (1) The said Act is amended by inserting, after section 387, the following section:

"**387.1.** If tax in respect of a supply of property or a service became payable by a person in a particular claim period of the person, the supplier did not, before the end of the last claim period of the person that ends within four years after the end of the particular claim period, charge the tax in respect of the supply, the supplier discloses in writing to the person that the Minister has assessed the supplier for that tax, and the person pays that tax after the end of that last claim period and before that tax is included in determining a rebate under sections 383 to 388 and sections 389 to 397, claimed by the person, the following rules apply:

(1) for the purposes of sections 383 to 388 and sections 389 to 397, that tax is deemed to have become payable by the person in the person's claim period in which the person pays that tax and not to have become payable in the particular claim period;

(2) the portion of the rebate of the person under sections 383 to 388 and sections 389 to 397 in respect of the property or service for the person's claim period in which the person pays that tax that is in excess of the amount of that rebate that would be determined without reference to this section

(*a*) may, notwithstanding section 388, be claimed in an application separate from the person's application for other rebates under sections 383 to 388 and sections 389 to 397 for that claim period, and

(*b*) shall not be paid to the person unless that portion is claimed in an application filed by the person on a day that is after the beginning of the person's fiscal year that includes that claim period and after the first day in that year that the person is a selected public service body, charity or qualifying non-profit organization and

i. if the person is a registrant, not later than the day on or before which the person is required to file a return under Chapter VIII for that claim period, or

ii. if the person is not a registrant, within one month after the end of that claim period; and

(3) section 387 applies in respect of the remaining portion of that rebate as if that remaining portion were in respect of a separate property or service."

(2) Subsection 1 has effect from 1 July 1992.

318. (1) The said Act is amended by inserting, after section 402.12, enacted by section (*insert the number of the section in Bill 175 that enacts section 402.12 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), the following:

"§6.6. — *Multi-employer pension plans*

"**402.13.** For the purposes of sections 402.14 to 402.17,

"claim period" has the meaning assigned by section 383;

"multi-employer plan", at any time in a particular calendar year, means a pension plan that is, at that time, a registered pension plan within the meaning of subsection 1 of section 248 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) that is a multi-employer plan within the meaning of subsection 1 of section 8500 of the Income Tax Regulations (Consolidated Regulations of Canada, chapter 945, as amended) in that year.

"**402.14.** A trust governed by a multi-employer plan that acquires or brings into Québec property or a service for consumption, use or supply in respect of the plan, is, for each claim period of the trust, entitled to a rebate equal to the amount determined by the formula

A – B.

For the purposes of this formula,

(1) A is the total of all amounts each of which is tax that, during a particular period and after 31 December 1998, became payable by the trust or was paid by the trust without having become payable, in respect of the supply or bringing in of the property or service; and

(2) B is the total of all amounts each of which is an amount that is included in the total referred to in subparagraph 1 for the period and

(*a*) is included in determining an input tax refund of the trust in respect of the property or service for the period,

(*b*) for which it can reasonably be regarded that the trust has obtained or is entitled to obtain a rebate, refund or remission under any other section of this Act or under any other Act of the Legislature of Québec, or

(*c*) is included in an amount refunded, adjusted or credited to or in favour of the trust for which a credit note referred to in section 449 has been received by the trust or a debit note referred to in that section has been issued by the trust.

"**402.15.** The following shall not be included in determining the total for A in the formula provided for in section 402.14:

(1) an amount of tax that a trust is deemed to have paid under this Title, other than sections 223 to 231.3;

(2) an amount of tax that became payable, or was paid without having become payable, by a trust at a time when it was entitled to claim any rebates under sections 383 to 388 and sections 394 to 397; and

(3) an amount of tax that would be included in determining an input tax refund of the trust, were it not for the fact that the trust is a large business within the meaning of section 551 of chapter 63 of the statutes of 1995.

"**402.16.** A trust is entitled to a rebate under section 402.14 for a claim period in respect of the supply or bringing into Québec of property or a service only if the trust files an application for the rebate within two years after the day that is

(1) if the trust is a registrant, the day on or before which the trust is required to file the return, under Chapter VIII, for the claim period; and

(2) in any other case, the last day of the claim period.

"**402.17.** A trust shall not make more than one application for rebates under this subdivision in any claim period of the trust."

(2) Subsection 1 has effect from 20 October 2000. However, if a person is entitled to a rebate under section 402.14 of the said Act in respect of an amount that, before 20 October 2000, became payable or was paid without having become payable by the person during a claim period of the person, or would be so entitled in the absence of section 402.16 of the said Act, the person shall, despite that section, to file an application for the rebate, have until the day that is two years after the later of

(1) the day that is 20 October 2000; and

(2) the day that is referred to in paragraph 1 or 2 of section 402.16 of the said Act, as the case may be.

319. (1) Section 404 of the said Act is amended by adding, after paragraph 3, the following paragraph:

"(4) a credit note referred to in section 449 has been received by the person, or a debit note referred to in that section has been issued by the person, for an adjustment, refund or credit that includes the amount."

(2) Subsection 1 has effect from 10 December 1998.

320. (1) Section 423 of the said Act is amended by replacing paragraph 2 by the following:

"(2) the recipient is registered under Division I and, in the case of a recipient who is an individual, the immovable is neither a residential complex nor supplied as a cemetery plot or place of burial, entombment or deposit of human remains or ashes; or".

(2) Subsection 1 applies to supplies made after 10 December 1998.

321. (1) Section 425 of the said Act is amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

"**425.** Where a registrant makes a taxable supply, other than a zero-rated supply, the registrant shall indicate to the recipient, either in prescribed manner or in the invoice or receipt issued to, or in an agreement in writing entered into with, the recipient,".

(2) Subsection 1 has effect from 7 April 1997.

322. (1) The said Act is amended by inserting, after section 425, the following section:

"**425.0.1.** Section 425 does not apply to a registrant when the registrant is not required to collect the tax payable in respect of the taxable supply made by the registrant."

(2) Subsection 1 applies in respect of supplies made after 10 December 1998.

323. (1) Section 427.3 of the said Act is amended by replacing paragraph 1 by the following:

"(1) that at least 90% of the total of all consideration for supplies to the person of items of inventory acquired in Québec by the person in the twelve-month period commencing immediately after the particular day will be attributable to supplies that would be included in that section if it were read without reference to paragraph 5 thereof; and".

(2) Subsection 1 applies to supplies of property made after 31 October 1998.

324. (1) Section 433.1 of the said Act is amended

(1) by replacing the portion before paragraph 1 by the following:

"**433.1.** For the purposes of sections 433.2 to 433.15, "specified supply" means a taxable supply other than";

(2) by adding, after paragraph 3, the following paragraph:

"(4) a supply deemed under section 41.1 or 41.2 to have been made by a mandatary."

(2) Paragraph 1 of subsection 1 applies, for the purpose of determining the net tax of a charity, in respect of reporting periods beginning after 24 February 1998.

(3) Paragraph 2 of subsection 1 applies, for the purpose of determining the net tax, in respect of reporting periods ending after 26 November 1997.

325. (1) Section 433.2 of the said Act is amended

(1) in subparagraph 1 of the second paragraph

(*a*) by replacing subparagraph *a* by the following:

"(*a*) 60% of the total of all amounts each of which is an amount collectible by the charity that, in the particular reporting period, became collectible or was collected before having become collectible, by the charity as or on account of tax in respect of specified supplies made by the charity;";

(*b*) by replacing subparagraph iii of subparagraph *b* by the following:

"iii. supplies made on behalf of another person for whom the charity acts as mandatary and that are deemed under section 41.1 or 41.2 to have been made by the charity and not by the other person, or in respect of which the charity has made an election under section 41.0.1;";

(*c*) by inserting, after subparagraph *b*, the following subparagraph:

"(*b*.1) the total of all amounts each of which is an amount not included in subparagraph *b* that was collected from a person by the charity in the particular reporting period as or on account of tax in circumstances in which the amount was not payable by the person, whether the amount was paid by the person by mistake or otherwise;";

(2) in subparagraph 2 of the second paragraph

(*a*) by inserting, after subparagraph iii of subparagraph *a*, the following subparagraphs:

"iv. corporeal movable property, other than property referred to in subparagraph ii or iii, that is acquired or brought into Québec by the charity for the purpose of supply by way of sale and is supplied by a person acting as mandatary for the charity in circumstances in which section 41.0.1 applies, or deemed by section 41.2 to have been supplied by an auctioneer acting as mandatary for the charity, and

"v. corporeal movable property, other than property referred to in subparagraph ii or iii, deemed under subparagraph 2 of the first paragraph of section 327.7 to have been acquired by the charity and under section 41.1 or 41.2 to have been supplied by the charity;";

(*b*) by replacing subparagraph *b* by the following:

"(*b*) 60% of the total of all amounts in respect of specified supplies that may be deducted under section 449 in respect of adjustments, refunds or credits given by the charity under section 448, or that may be deducted under section 455.1, in determining the net tax for the particular reporting period and that are claimed in the return under this chapter filed for that reporting period;";

(*c*) by inserting, after subparagraph *b*, the following subparagraphs:

"(*b*.1) the total of all amounts that may be deducted by the charity under section 350.42.1 in determining the net tax for the particular reporting period and that are claimed in the return under this chapter filed for that reporting period;

"(*b*.2) the total of all amounts that may, in determining the net tax for the particular reporting period, be deducted under section 449 in respect of adjustments, refunds or credits given by the charity under section 447 or 447.1 in respect of specified supplies and that are claimed in the return under this chapter for that reporting period;".

(2) Subparagraph *b* of paragraph 1 of subsection 1 applies, for the purpose of determining the net tax, in respect of reporting periods ending after 26 November 1997.

(3) Subparagraphs *a* and *c* of paragraph 1, subparagraph *b* of paragraph 2 and the portion of subparagraph *c* of paragraph 2 of subsection 1 that inserts subparagraph *b*.2 of subparagraph 2 of the second paragraph of section 433.2 of the said Act apply, for the purpose of determining the net tax, in respect of reporting periods ending after 4 June 1999.

(4) Subparagraph *a* of paragraph 2 of subsection 1 applies, for the purpose of determining the net tax for reporting periods beginning after 31 December 1996, in respect of any property that is deemed under section 41.1 or 41.2 of the said Act to have been supplied by a mandatary or to which section 41.0.1 of the said Act applies.

(5) The portion of subparagraph *c* of paragraph 2 of subsection 1 that inserts subparagraph *b*.1 of subparagraph 2 of the second paragraph of section 433.2 of the said Act applies in respect of reporting periods ending after 31 March 1998.

326. (1) Section 433.7 of the said Act is replaced by the following:

"**433.7.** Sections 444 to 457.1 do not apply for the purpose of determining the net tax of a charity in accordance with section 433.2 except as otherwise provided in sections 433.1 to 433.15."

(2) Subsection 1 applies, for the purpose of determining the net tax of a charity, in respect of reporting periods beginning after 24 February 1998.

327. (1) The said Act is amended by inserting, after section 433.14, the following section:

"**433.15.** Sections 433.1 to 433.14 do not apply to a charity that is designated under sections 350.17.1 to 350.17.4."

(2) Subsection 1 applies, for the purpose of determining the net tax of a charity, in respect of reporting periods beginning after 24 February 1998.

328. (1) Section 434 of the said Act is amended by replacing the first paragraph by the following:

"**434.** A registrant, other than a charity that is not designated under sections 350.17.1 to 350.17.4, who is a prescribed registrant or a member of a prescribed class of registrants may elect to determine the net tax of the registrant for a reporting period during which the election is in effect by a prescribed method."

(2) Subsection 1 applies in respect of reporting periods beginning after 24 February 1998.

329. (1) Section 444 of the said Act is amended, in the French text of the third paragraph, by replacing subparagraph 2 by the following:

"2° la lettre B représente le total de la contrepartie et de la taxe demeurant impayé à l'égard de la fourniture qui a été radié à titre de mauvaise créance;".

(2) Subsection 1 applies for the purpose of determining the net tax for any reporting period for which a return is filed after 23 April 1996.

330. (1) Section 445 of the said Act is repealed.

(2) Subsection 1 applies in respect of accounts receivable purchased at face value and on a non-recourse basis if ownership of the accounts receivable is transferred to the purchaser after 31 December 1999.

331. (1) Section 446 of the said Act is amended, in the first paragraph, by replacing the portion before the formula by the following:

"**446.** Where a person recovers all or part of a bad debt in respect of which the person has made a deduction under section 444, the person shall, in

determining the net tax for the person's reporting period in which the bad debt or that part is recovered, add the amount determined by the formula".

(2) Subsection 1 applies in respect of the recovery by a person of bad debts in respect of accounts receivable the ownership of which was transferred to the person after 31 December 1999.

332. (1) Section 446.1 of the said Act is replaced by the following:

"**446.1.** A person may not claim a deduction under section 444 in respect of an amount that the person has, during a particular reporting period of the person, written off in its books of account as a bad debt unless the deduction is claimed in a return under this chapter filed by the person within four years after the day on which the return under this chapter for the particular reporting period of the registrant is required to be filed."

(2) Subsection 1 applies in respect of an amount of an account receivable written off by a person as a bad debt if ownership of the account receivable was transferred to the person after 31 December 1999.

333. (1) Section 449 of the said Act, amended by section (*insert the number of the section in Bill 175 that amends section 449 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended by adding, after paragraph 3, the following paragraph:

"(4) if all or part of the amount has been included in determining a rebate under Division I of Chapter VII paid to, or applied to a liability of, the other person before the particular day on which the credit note is received, or the debit note is issued, by the other person and the rebate so paid or applied exceeds the rebate to which the other person would have been entitled if the amount adjusted, refunded or credited by the particular person had never been charged to or collected from the other person, the other person shall pay to the Minister the excess

(*a*) if the other person is a registrant, on the day on or before which the other person's return for the reporting period that includes the particular day is required to be filed, and

(*b*) in any other case, on the last day of the calendar month immediately following the calendar month that includes the particular day."

(2) Subsection 1 applies in respect of amounts that are refunded, adjusted or credited to or in favour of any person for which a credit note is received, or a debit note is issued, by the person after 10 December 1998.

334. (1) The said Act is amended by inserting, after section 450, the following section:

"**450.1.** If a particular registrant acquires particular corporeal movable property exclusively for supply by way of sale for a price in money in the course of commercial activities of the particular registrant and another registrant, who has made taxable supplies of the particular property by way of sale, whether to the particular registrant or another person, pays to or credits in favour of the particular registrant or allows as a discount on or credit against the price of any property or service (in this section referred to as the "discounted property or service") supplied by the other registrant to the particular registrant, an amount in return for the promotion of the particular property by the particular registrant, the following rules apply :

(1) the amount is deemed not to be consideration for a supply by the particular registrant to the other registrant ;

(2) where the amount is allowed as a discount on or credit against the price of the discounted property or service,

(*a*) if the other registrant has previously charged to or collected from the particular registrant tax under section 16 calculated on the consideration or part of it for the supply of the discounted property or service, the amount of the discount or credit is deemed to be a reduction in the consideration for that supply for the purposes of section 448, and

(*b*) in any other case, the value of the consideration for the supply of the discounted property or service is deemed to be equal to the amount by which the value of the consideration for that supply as otherwise determined exceeds the amount of the discount or credit ; and

(3) if the amount is not allowed as a discount on or credit against the price of any discounted property or service supplied to the particular registrant, the amount is deemed to be a rebate in respect of the particular property for the purposes of section 350.6."

(2) Subsection 1 applies in respect of amounts paid or credited in favour of a registrant, or allowed as a discount on or credit against the price of any property or service, after 31 March 1997 in return for the promotion of property.

335. (1) The said Act is amended by replacing, after section 454.3, the heading of subdivision 6 of Division III of Chapter VIII of Title I of the said Act and section 455 amended by section (*insert the number of the section in Bill 175 that amends section 455 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), by the following :

"§6. — *Payment of a rebate by a person*

"**455.** If, in the circumstances described in section 357.5.2, 366, 370.1, 382.3 or 402.9, a particular person pays to, or credits in favour of, another

person an amount on account of a rebate and transmits the application of the other person for the rebate to the Minister in accordance with section 357.5.2, 367, 370.2 or 382.4, as the case requires, or keeps the application, in accordance with section 402.10, the particular person may deduct the amount in determining the net tax of the particular person for the reporting period of the particular person in which the amount is paid or credited to the other person."

(2) Subsection 1 has effect from 10 December 1992. However, if section 455 of the said Act applies before 24 April 1996, it shall be read without reference to sections 357.5.2, 402.9 and 402.10 and if section 455 applies after 23 April 1996 but before 21 February 2000, it shall be read without reference to sections 402.9 and 402.10.

336. (1) Section 457.1 of the said Act is amended by replacing the first paragraph by the following:

"**457.1.** A person shall, in determining the net tax for the appropriate reporting period of the person, add the amount determined by the formula provided for in the second paragraph if

(1) an amount (in this section referred to as the "composite amount")

(*a*) becomes due from the person, or is a payment made by the person without having become due, in respect of a supply of property or a service made to the person, or

(*b*) is paid by the person as an allowance or reimbursement in respect of which the person is deemed under section 211 or 212 to have received a supply of property or a service;

(2) section 421.1 of the Taxation Act (chapter I-3) applies, or would apply if the person were a taxpayer under that Act, to all of the composite amount or that part of it that is, for the purposes of that Act, an amount paid or payable in respect of the human consumption of food or beverages or the enjoyment of entertainment and deems the composite amount or that part to be 50% of a particular amount; and

(3) tax included in the composite amount or deemed under section 211 or 212 to have been paid by the person is included in determining an input tax refund in respect of the property or service that is claimed by the person in a return for a reporting period in a fiscal year of the person.

The amount to be added in determining the net tax under the first paragraph is determined by the formula

$50\% \times A/B \times C$.

For the purposes of this formula,

(1) A is the particular amount ;

(2) B is the composite amount ; and

(3) C is the input tax refund."

(2) Subsection 1 applies

(1) in the case of an amount that becomes due or is paid without having become due in respect of a supply of food, beverages or entertainment and in the case of an amount paid as a reimbursement or allowance in respect of a supply of food, beverages or entertainment,

(*a*) for the purpose of determining net tax for reporting periods ending after 8 October 1998, and

(*b*) for the purpose of determining any rebate under section 400 of the said Act of an amount that, before, on or after 8 October 1998, is paid as or on account of, or taken into account as, net tax, unless the application for the rebate is received by the Minister of Revenue before that date ; and

(2) in any other case, to amounts that become due after 8 October 1998 or are paid after that date without having become due.

337. (1) The said Act is amended by inserting, after section 457.1, the following sections :

"**457.1.1.** For the purposes of section 457.1, where a person is required under that section to add, in determining the person's net tax, an amount determined by reference to an input tax refund claimed by the person in a return for a reporting period in a fiscal year of the person, the appropriate reporting period of the person is

(1) if the person ceases to be registered under Division I of Chapter VIII in a reporting period ending in that fiscal year, that reporting period ;

(2) if that fiscal year is the person's reporting period, that reporting period ; and

(3) in any other case, the person's reporting period that begins immediately after that fiscal year.

"**457.1.2.** If tax calculated on an amount (in this section referred to as the "unreasonable consideration") that is all or part of the total amount that becomes due from a person, or is paid by a person without having become due, in respect of a supply of property or a service made to the person is, because of section 206, not to be included in determining an input tax refund, for the purposes of section 457.1, that total amount is deemed to be the amount, if any, by which it exceeds the total of the unreasonable consideration and all

gratuities, and duties, fees or tax under this Title or under an Act of the legislature of Québec, another province, the Northwest Territories, the Yukon Territory or of the Parliament of Canada, that are paid or payable in respect of the unreasonable consideration."

(2) Subsection 1 applies

(1) in the case of an amount that becomes due or is paid without having become due in respect of a supply of food, beverages or entertainment and in the case of an amount paid as a reimbursement or allowance in respect of a supply of food, beverages or entertainment,

(*a*) for the purpose of determining net tax for reporting periods ending after 8 October 1998, and

(*b*) for the purpose of determining any rebate under section 400 of the said Act of an amount that, before, on or after 8 October 1998, is paid as or on account of, or taken into account as, net tax, unless the application for the rebate is received by the Minister of Revenue before that date; and

(2) in any other case, to amounts that become due after 8 October 1998 or are paid after that date without having become due.

(3) Moreover, in its application to any person who ceases, before 8 October 1998, to be registered under Division I of Chapter VIII of Title I of the said Act, paragraph 1 of section 457.1.1 of the said Act shall be read as follows:

"(1) if the person ceases in or at the end of that fiscal year to be registered under Division I of Chapter VIII, the person's last reporting period in that fiscal year;".

338. (1) The said Act is amended by inserting, after section 457.2, the following section:

"**457.3.** If a registrant has received a zero-rated supply of a continuous transmission commodity included in section 191.3.2 and the commodity is neither shipped outside Québec, as described in subparagraph 1 of the first paragraph of section 191.3.2, nor supplied, as described in subparagraph 2 of the first paragraph of section 191.3.2, by the registrant, the registrant shall, in determining the net tax of the registrant for the reporting period that includes the earliest day on which tax would, but for section 191.3.2, have become payable in respect of the supply, add an amount equal to interest, at the rate prescribed under section 28 of the Act respecting the Ministère du Revenu (chapter M-31) plus 4% per year compounded daily, on the total amount of tax that would have been payable in respect of the supply if it were not a zero-rated supply, computed for the period beginning on that earliest day and ending on the day on or before which the return under section 468 for that reporting period is required to be filed."

(2) Subsection 1 applies in respect of supplies made after 31 October 1998.

339. (1) Section 462.1 of the said Act is amended by replacing paragraphs 1 and 2 by the following:

"(1) the total of all consideration, other than consideration referred to in section 75.2 that is attributable to goodwill of a business, for taxable supplies, other than supplies of financial services, supplies by way of sale of immovables that are capital property of the person and supplies included in Part V of Schedule VI to the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), made in Canada by the person in the course of commercial activities that became due to the person in the fiscal quarters of the person ending in the fiscal year which immediately precede the particular fiscal quarter or that was paid to the person in those preceding fiscal quarters without having become due; and

"(2) the total of all amounts each of which is an amount in respect of an associate of the person at the beginning of the particular fiscal quarter equal to the total of all consideration, other than consideration referred to in section 75.2 that is attributable to goodwill of a business, for taxable supplies, other than supplies of financial services, supplies by way of sale of immovables that are capital property of the associate and supplies included in Part V of Schedule VI to the Excise Tax Act, made in Canada by the associate in the course of commercial activities that became due to the associate in the fiscal quarters of the associate that end in that fiscal year of the person before the beginning of the particular fiscal quarter or that was paid to the associate in those fiscal quarters of the associate without having become due."

(2) Subsection 1 applies in determining the threshold amount of a person for any fiscal quarter of the person beginning after 10 December 1998.

340. (1) Section 677 of the said Act, amended by section 290 of chapter 39 of the statutes of 2000 and by section (*insert the number of the section in Bill 175 that amends section 677 of the Act respecting the Québec sales tax*) of chapter (*insert the chapter number of Bill 175*) of the statutes of (*insert the year of assent to Bill 175*), is again amended, in the first paragraph, by striking out subparagraph 48.

(2) Subsection 1 applies in respect of accounts receivable purchased at face value and on a non-recourse basis if ownership of the accounts receivable is transferred to the purchaser after 31 December 1999.

ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

341. (1) Section 580 of the Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85) is amended by replacing subsection 2 by the following:

"(2) Subsection 1 applies from the taxation year 1996. However, in subparagraph *b* of subparagraph 2 of the first paragraph of section 290 of the said Act, replaced by subsection 1,

(1) subparagraph ii shall be read

(*a*) for the taxation year 1996 of the individual, as follows:

"ii. in any other case, 6.5/106.5 of the total consideration, and",

(*b*) for the taxation year 1997 of the individual, with "7.5/107.5" replaced by "6.5/106.5";

(2) subparagraph iii shall be read for the taxation years 1996 and 1997 of the individual, with "7.5/107.5" replaced by "6.5/106.5"."

(2) Subsection 1 has effect from 19 December 1997.

ACT TO AMEND THE TAXATION ACT AND OTHER LEGISLATIVE PROVISIONS

342. (1) Section 236 of the Act to amend the Taxation Act and other legislative provisions (2000, chapter 5) is amended by replacing, in subsection 2, the word "second" by the word "first".

(2) Subsection 1 has effect from 11 May 2000.

343. Notwithstanding sections 1010 to 1011 of the Taxation Act (R.S.Q., chapter I-3), the Minister of Revenue shall, for any taxation year prior to the taxation year that includes (*insert the date of assent to this Act*), make such assessments or reassessments of tax, interest and penalties as are required to give effect to a joint election under the third paragraph of each of sections 312.4 and 336.0.3 of the Taxation Act, enacted respectively by sections (*insert the number of the section in this Act that amends section 312.4 of the Taxation Act*) and (*insert the number of the section in this Act that amends section 336.0.3 of the Taxation Act*). Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such assessments or reassessments.

344. For the purposes of the Taxation Act (R.S.Q., chapter I-3), a taxpayer is deemed to have made a gift and, in the case of a gift of corporeal property, to have disposed of the property immediately before the end of the taxpayer's taxation year that ended before 1 January 1998 and not to have made the gift and disposed of the property, as the case may be, at the time of the gift, if

(*a*) the taxpayer made the gift at any time before 1 February 1998, and after the end of a taxation year that ended after 15 November 1997 and before 1 January 1998, that would be deductible under sections 710 to 716.0.3 or 752.0.10.1 to 752.0.10.18 of the Taxation Act in computing the taxpayer's

taxable income or tax payable under Part I of the said Act for the year if it were made immediately before the end of the year;

(*b*) the gift was a gift of corporeal property, other than immovable property, or a gift by cash, cheque, credit card or money order;

(*c*) the gift was not made through an at-source deduction, or where the taxpayer died after 31 December 1997, by the taxpayer's will; and

(*d*) the taxpayer so elects in the taxpayer's fiscal return under Part I of the Taxation Act for the year contemplated in paragraph *a* or by notifying the Minister of Revenue in writing before 1 January 1999.

345. This Act comes into force on (*insert the date of assent to this Act*).